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# What Is Cooperation?

A Discussion of the Consumer's Cooperative  
Movement, Its Principles, Methods  
and Accomplishments.

*By*  
JAMES PETER WARBASSE



Modern Publishers' INDORE.  
Printed and Published by C. M. SHAH,  
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# *Cooperative Movements*

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# What Is Cooperation?

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By JAMES PETER WARBA<sup>•</sup>SSE

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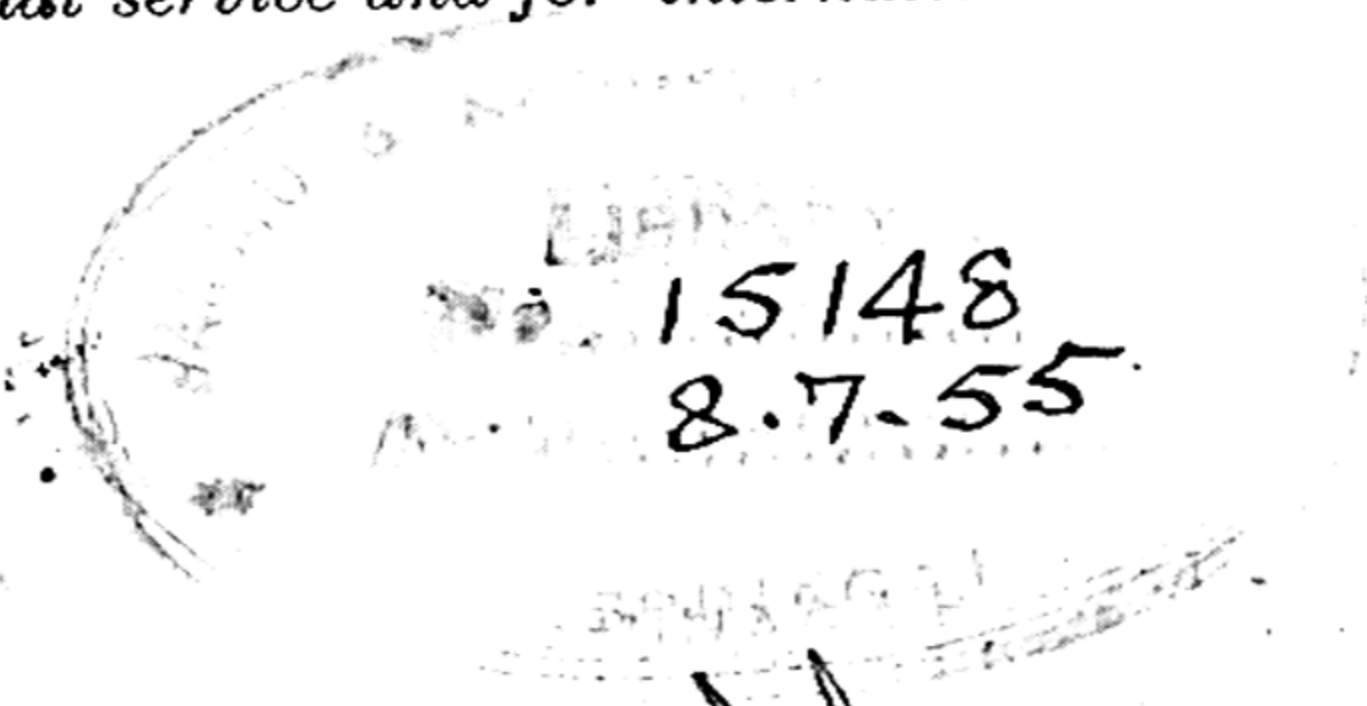
**COOPERATION**—Cooperation is a non-political organization of people who unite and use their resources to supply their own needs.

Cooperative societies perform for their own members the useful functions that otherwise are performed by profit-business or the State.

The members have direct control of their affairs; they employ expert administrators to carry on the business and the operations of the cooperative societies, for the service of the members, not for profit.

Cooperative societies federate nationally and internationally for mutual service and for international trade.

OF



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## PUBLISHER'S PREFACE

THIS book is one of a series of Outlines of Social Philosophies published by the Vanguard Press. In publishing these Outlines the Press has offered to each definitely crystallized social movement the privilege of telling its own story and presenting as cogently as possible its social philosophy. All the Outlines follow the same plan, so that the student will find it possible to make comparisons between any one and the others. The Cooperative League designated its President, Dr. Warbasse, as the outstanding authority on cooperation in this country, for the preparation of this book. For this reason it may be considered a manual of the cooperative movement in the United States.

The author is something more than an academic student of cooperation. Of Danish ancestry, the race that has astonished the world with its efficiency in this field, he first saw cooperative societies in operation in northern Europe in his student days. He has visited over twenty countries to study this movement, and has for the past ten years been occupied with the practical problems of cooperative societies. He has given much attention to the study of their weaknesses and difficulties. Besides making examinations of societies in trouble, he has endeavored to get the criticisms of experienced cooperators and students of economic problems upon this subject. He has lectured on cooperation in Denmark, Russia, Switzerland, England, Germany and Czechoslovakia, and



in most of the important collèges and universities in the United States, always with the view of getting back the reaction of his auditors.

Dr. Warbasse has been a delegate to the last three international cooperative congresses and a member of the Central Committee of the International Cooperative Alliance since 1921. He has visited every state in the United States where cooperative societies exist, often to sit by their bedsides and diagnose their ills, or to observe their expiring gasps and perform the autopsy. This book will be found to reflect a broad contact as well as a deep and sympathetic understanding.

## FOREWORD

This book is a brief description of the cooperative method of business and of the cooperative movement. I have tried to present and to interpret the facts impartially, giving attention to the deficiencies as well as to the advantages of cooperation. The subject is discussed from the consumer's standpoint.

The purpose of the book is to offer information without the implications of propaganda, although it is doubtful if the facts of cooperation can be presented, however moderately, without the appearance of bias in its favor.

I am concerned at the decay of the liberties of the individual, due to the centralization of social power in the hands of political governments. I confess also to being concerned at certain complexities in modern society, due to the expansion of the profit method of business.

The growth of officialdom, and its dominance over the lives of the people, is a striking characteristic of what is called modern civilization. Stateism and socialism are coming pell-mell, and the individual is swallowed up in a complex that is assumed to be for the good of society. Those who dread the growing dictatorship of police, commissars, inspectors, secretaries, spies, militarists, professional patriots, tax collectors, and diplomats, with their portfolios, passports, tariffs, protectorates, mandates, visas, injunctions, spurs, epaulettes,



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# WHAT IS COOPERATION?

## CHAPTER I

### CRITICISM OF THE PRESENT ORDER

#### MEN WORK FOR PROFITS AND WAGES

ONCE people got their own food in the fields, the forest, and the sea. They made their own things. In the course of time machines were invented that would supply the needs of more than one man. Presently it was found that a man or group of men could own a machine and have other men work with it. The workers made things with the machine, but the things they made belonged to the owner of the machine, who sold them to the people who needed them. The idea of the men who owned the machine was to buy raw material and labor, put them together, and sell the product for more than it cost. They naturally paid the lowest price possible for materials and for labor, and sold the manufactured article for the highest price possible. The difference between these two prices—the cost price and the selling price—was the profit; and the more profit that could be made the more successful was the business. Profit-making was its purpose.

This has now become the chief method of business, not only in production but also in trade and service.



When things are made for use there is every reason to make them good and serviceable. When things are made for profit's sake the owner of the machine has every reason to make them (cost him as little as possible to make them) *look* good,<sup>1</sup> and to make the consumer pay as much as possible.

This *profit motive* has grown so greatly during the last hundred years that now most every one in industry works to make profits, either for himself or for his employer. Making things is secondary to making profits. This applies to the worker just the same as to the owner of the machine. The worker is working for wages. His chief interest is not to make something that is good and useful, but to get the most wages for the least work. The owner of the machine and the worker are doing quite the same thing and have quite the same motives.

The worker, too, owns a machine—his body. It produces power, called labor. He has his labor to sell. He takes care of his machine. He buys food at the lowest possible price. He covers his machine with clothing. He puts it to bed at night in a house which he rents as cheaply as possible. He is interested in buying everything he uses at the lowest price, which means that the labor which produces for him suffers the pressure that he applies to keep its wages down. He is doing the same thing to other labor that his employer is doing to him. Then in the morning he takes his machine to the mill and sells its product—labor—to the mill owner for all that he can get for it. He applies his labor to the mill owner's machine, and makes something to be sold at a profit. He does not ask himself, "Will this serve the consumer well ?" or, "Will this go to the people who need it ?" or, "Is this the best that I can possibly make ?" The question he asks is,

“How much wages can I get out of this job ?” His chief concern is to make as much as he can in the difference between his cost of living and his wages. That is his profit. He is working for profit the same as the mill owner is.

When we criticize the present order, we must not lose sight of the fact that it is made up of two elements: the owners of the property and the workers. Striving for profits is what these two classes have been brought to in this industrial era. People are working for money, not for life. The old motive of service has been swallowed up by the profit motive. Of course, there are all sorts of exceptions to this condition. Many workers find joy in their work and make the best things possible. But the above picture is the common rule. It is the way things mostly are.

In order to make profits, selling prices must be kept up. Scarcity helps this. Thus there is every reason to keep things scarce. If there is too much of a commodity, its price can be kept up by destroying some of it. Restrictions of apprenticeship and of immigration are used by the workers to create a labor scarcity. The policy of scarcity is used to keep up profits and wages. Just as soon as people can easily get the things they need, that is called “bad business,” because prices and profits go down.

Along with all of this goes *the low purchasing power of the consumer*. In industrial countries, where things are made, the workers can not buy the things they produce. The selling price is so much above the wages the workers receive that if they go into the market and try to buy back what they have produced they can not do so. That means that industrial countries have a surplus of goods which must be exported. Finding foreign markets has



now become the big game of business. This carries competition outside of the local field and makes it international. International competition for profits has now become the great disturber of the world's peace. It demands tariffs and trade discrimination. It makes fleets of battleships necessary. It was the chief cause of the great war; and is responsible for many after-war disturbances.

Once the man made things for himself. Then, in time, he was employed by another man. Later the employer became a company. Now it is a corporation. Once the worker worked for a human being. Now he works for an impersonal concern without conscience. The worker at least is a man with a sense of human responsibility. The corporation is not a man; it is a soulless machine for just one purpose—making profits out of the needs of both worker and consumer. The man is dead; money has become the ruler.

The dangers in the profit method of business are very great. Human life is sacrificed in its wars. Aeroplanes fall from the sky because some cheaper material was used in some important part. Railroads kill people because they are not run primarily to carry passengers but to make profits. Killing people is cheaper than putting in safety appliances. Buildings collapse. Mines cave in. In the United States, 2,500 miners are killed each year, largely as a tribute to the lack of safety devices. Vessels sink in the sea. Life preservers fail to hold the people up because they have been filled with something cheaper than cork. Foods are adulterated. Thousands of laws, police, courts and prisons, an army of inspectors and spies are employed by governments to protect the people from the dangers of profit business. This army is bribed and corrupted. In

the pursuit of privilege, to take advantage of the people, profit business employs agents to corrupt legislatures and parliaments. Fabulous sums of money are used for these purposes. One of the modern tragedies is the reformer in politics, who is attempting, or pretending, to fight these evils. Commonly, he becomes corrupt himself, or he goes down in defeat.

Still, great advances from the profit motive have come about. A business system, that does not have to consider what is just or fair to human beings, can go ahead and do things. The profit motive starts industries. Invention, production, and service—all for profit—have set going the great economic machinery of today. Big combinations of capital are bold and willing to take risks. It is other people's money that is hazarded. During the past century of profit dominance of the world, the human race has made its greatest progress in science, in safety to life, in industrial arts, and in raising the standard of living. Labor has taken part in the development of capitalism and profit-making industry, and the lot of the working people is generally better than it was at the beginning of the capitalistic era. Not so in colonies.

Things are produced and distributed. The people are better fed and have more advantages than ever before. A great many services are performed for profit that have never before been done so well or so cheaply for the consumer. Enormous wealth has been produced, and made accessible to the largest proportion of people. Excessive riches in the hands of many have given the people parks, art galleries, museums, libraries, endowments for schools and universities, institutions for scientific research, the publication of cultural literature, and standards of beauty in homes and other buildings.

While there is hostility among traders in the same line of business, there is the need of friendliness between trader and customer. In this friendliness is an antidote against the hostilities that make for war. International commerce contains the seeds of peace as well as of war. The hostilities are also lessened by the formation of the great international combines and trusts.

A class struggle has arisen as a result of these conditions. This class struggle consists in the struggle of the workers to get out of the working class and into the capitalist class, and the struggle of the capitalists to keep out of the working class. This is not theoretical; this is a real class struggle. The workers, on the whole, are sympathetic to the profit system. They have been trained to its point of view. They are getting ownership of stock in profit business and engaging in profit business to an ever increasing degree. Labor banking, in which trade unionists engage in the regular practices of capitalistic banking, is developing.

There is widespread recognition of the valuable features of the profit system, as well as of its deficiencies. Those who enjoy its advantages are the most powerful on the earth. They carry on propaganda in its favor—perhaps the most extensive and efficient propaganda in the world. It is the propaganda in favor of things as they are.



## CHAPTER II

### CRITICISM OF PROPOSED REMEDIES

#### TRADE UNIONISM

TRADE UNIONISM is made necessary by the fact that the employer of labor must pay the lowest wages possibly consistent with making the most profits. Collective bargaining by the organized workers is necessary because of the weak position of the lone worker when he attempts to bargain with the employer. Before the days of trade unionism the conditions of labor were deplorable; and without it the working man could expect only enough to keep him alive.

Trade unionism has saved the working class from a wage slavery that is worse than chattel slavery. It has given labor dignity and greatly increased its efficiency. It is trade unionism and the fear of trade unionism, the strike and the fear of the strike, that are the strongest forces compelling employers to give decent wages and decent conditions to the working people. The trade union is not only necessary to protect the worker from the profit-making employer, but it is necessary to protect the worker who is employed by the organized consumers, even though they are organized purely for the purpose of service. The workers best protect their interests, under all circumstances, by organization.

There is a more militant point of view. Some workers advocate fighting for more and more wages so long as there are any profits. When they have gotten wages so large that the business no longer can pay profits to the owners, the workers then plan to take over the business themselves and run it as their own. This is the hope of syndicalists and communists.

If this happened and succeeded, the workers would become capitalists, new bosses would be substituted for the old, the profit business would go on just the same, the evils of capitalism would not be remedied, and the motive of industry not changed. There is a theory that if the workers can get all of the profits of the business in the form of wages for themselves, the employer will have to turn over the business to the workers. This is a theory, but not a fact. There is a reason why the workers are not found getting possession of their employers' business by this method.

When they get more wages, the employer does not lie down and turn over his business to the workers. No, the employer adds the increased cost of production to the price at which he sells the product; and the increase of wages is not paid by himself but by the consumers. He does not consent to have his profits abolished just to please the people who hold this theory. Since most consumers are workers, they pay for their increase of wages by paying an increase in their cost of living. This boosting of prices goes merrily on; labor pays for most of it. No problem is solved by it, because the profit motive prevails on both sides. Both employer and employee are devoted to profit making.

The chief concern of unionism is to get more wages. More wages can best be gotten when the profits of the

business are best. Therefore we find trade unionism, like profit business, interested in those conditions that are best for profits. This is the general conservative position of most workers.

In the United States labor actually bargains with the employer to reduce waste and increase output, on condition that labor shall have more wages. The American Federation of Labor is in favor of labor thus cooperating with employers. The result is that the average worker is producing more and more. His production per hour is the highest in the world, and his wages are the largest. Mr. William Green, president of the A. F. of L. said; "It is quite simple. If industry increases its productivity through efficiency of the workers, there will be more to divide between the employer and the employee." The result is that there is a steady increase of output and of profits. In contrast to this, in Europe, labor goes slow on the job. There is a class conscious hostility to the employers. Labor purposefully restricts output. There are exceptions, but these are the two general rules on both continents.

The trade unionist in the United States is asking chiefly for two things: more wages and shorter hours. These are the two main purposes. What do they mean? No matter what wages the trade unionist gets, if he could get more he would want more. In other words, there is no limit to the size of wages he would take if he could get it—\$ 10 a day, \$ 100 a day, \$ 1000 a day. He would be foolish to stop at any of these if he could get more. The trade unionist will take all he can get; and that is precisely what the capitalist is doing.

The trade unionist wants also shorter hours. His union helps him to get what he wants. The eight hour



day? The four hour day? The two hour day? Where would he stop? He wants all the leisure he can get, and he would be foolish to stop at any minimum if his trade union could get less for him. And that also is precisely what the capitalist is doing.

Much income, little work, and much leisure, is the aim of worker and capitalist alike; and there is no point at which either will stop. The capitalist succeeds better in this enterprise. That is the reason workers are turning to capitalistic methods: trade unionism is their greatest aid. And success, in his fondest ambition, converts the worker into a capitalist.

### PRODUCERS' PROFIT-SHARING INDUSTRIES

Producers' profit-sharing industries were once thought of as the hope of the working people. It was believed that if the workers could get possession of the industry in which they worked, or could get the capital to finance industries in which the workers would be the owners, the problem of labor would be solved. These have been called "cooperative productive industries." The socialists in Europe wanted the State to finance such industries. In England and many other countries the workers have tried to finance them. Usually they have failed. They never could know whether they could sell their product or not, since it was made for an uncertain and speculative market. When they have succeeded financially, these business have become capitalistic concerns. They have had as their object to sell their product to the consumers and to make as much profit as possible. The profits were divided among the workers as their wages. Here we see no confusion at all; profits are wages; wages are profits.

These organizations are controlled by men. The women in the industry may be a majority, but they never have a permanent nor an equal influence with men because they eventually marry and are then taken up with the affairs of home and children. Usually women are found to be employees but not members.

These concerns in the United States have generally gone bankrupt. Those that have survived have always become profit-making businesses. If they became highly successful, the worker stockholders have ceased to work and have lived on the dividends which the business paid them. In every country, the tendency among such enterprises, that are financially successful, is to hire labor that does not own shares in the business. This scheme, for over a hundred years, has been tried and it has failed to solve any problem except to convert workers into capitalists. In England those that have not failed, and those that have not become successful profit businesses, are bought out and taken over sooner or later by the cooperative consumers' societies.

### LABOR GUILDS

Labor guilds are profit-sharing trade unions. They are the same thing, and have the same ends and results, as profit-sharing workers' industries, except that they sell labor and not manufactured commodities. They have the advantage that they require little or no capital, unless insured contracts are to be made. In Italy these organizations were once wide-spread. But in order to make more money for the members they were always found hiring workers who were not members. They have helped the workers become more prosperous. Their chief value has been to teach them how to carry on business and to



assume responsibilities in a business-like way. They have added dignity to labor—by making labor more self-governing—and more capitalistic.

### AGRICULTURAL MARKETING UNIONS

Agricultural marketing unions are commonly called "cooperative." They are organizations of farmers to get bigger prices for their produce. Some are pooling combines. Some are stock companies. They are just as necessary for the farmer as the trade unions are for the industrial workers. Without them, the farmer is exploited by the middlemen, the buyers, sellers, and handlers of his produce before it gets to the consumer. In Denmark these organizations are so successful that they have produced a nation of small capitalist farmers. The effect upon the people has been excellent. The standard of living and of culture has been raised. These organizations teach mutual aid and self help. They improve neighborliness. They give the training that leads on to organization as consumers to buy and produce together for purposes of use.

The farmers' marketing organizations commonly work in harmony with consumers' societies. In Europe they trade together. In many countries the members of the marketing societies are usually also members of consumers' cooperative societies. In some countries are national unions of consumers' societies, with wholesales, which are composed almost entirely of farmers, who also are members of marketing societies.

It is true, these farmers' organizations aim to get a monopoly. When they do get control of prices they put them up to the highest possible point that will bring the most profits. That is business.

## PROFIT SHARING

Profit sharing is now most successfully effected by means of ownership by the workers and the public of the stocks of profit-making corporations. In the United States this is a big matter. Many thousands of workers are becoming owners of shares of stock which pay them dividends. There are about 20,000,000 stockholders in the United States. On an average there is one stockholder and one automobile in every two families. The workers are taking an interest in the success of the business in which they work. Instead of fighting capitalism on the outside, in the United States, the workers are going inside and sharing in its profits.

## LABOR CAPITALISM

Labor capitalism is seen in the actual entrance of labor organizations into distinctly capitalistic business. In the United States are some forty *labor banks*, started, owned, and financed by trade unions. These represent labor going into profit business to compete in the field with other profit banks. The peculiar feature is that the profits are restricted to the trade union stockholders. These banks start with the purpose of paying limited dividends to the stockholder, usually not to exceed 10 per cent. Of course, the stockholders are at liberty at any time to change their minds and decide to give themselves more dividends when the profits become larger. None of these banks are cooperative in any sense whatever. ●

Trade unions are also organizing insurance companies and even investment corporations, in which the workers can invest their surplus capital in stocks, bonds, and other income-producing properties.

The importance of this interest of labor in profit business is very great. It may mean a complete change of the program of labor. It is surely making for the strengthening of the present capitalistic system of business.

### SYNDICALISM

Syndicalism would begin with the workers in the shops, by strike, by purchase, or by revolution, getting control of the industry and owning it. The idea is that every worker should have all that his product can be sold for. This means making as much profit out of the consumers as possible. In doing this the workers again are not producing for use but for profit, and they have the same interest in making profit out of the needs of the consumer as any other capitalistic business has. The idealistic dream of syndicalism is that when all of the industries are syndicalized the workers will take the place of the Government, and the congress and parliament will be composed of workers elected from the various trades and crafts. Syndicalism grew out of the idea that the getting of wages is the chief concern of the worker. It neglects the home, the consumer, and the getting of things. Any plan of action that lays stress on getting more money out of the consumers leads the workers toward capitalism, not away from it. Syndicalism, as an end and object, may be esteemed; but as a method, it fails. Its chief use has been to teach the workers the value of industrial organization.

### SOCIALISM

Socialism aims at a society in which the worker is paid the full value of the service he performs; in which production, distribution and other social services are for use and



not for private profit; and in which the people are all equal citizens in a great democratic State in which private income from dividends, interest, and rent has been abolished. The socialists aim to get these results by electing to office candidates who are pledged to socialism, and by educating the workers to promote their own interests as against the interests of the capitalists. Victory at the polls, the collapse of the profit system, or the revolutionary uprising of the proletariat are also possibilities to which the socialist looks. Socialism is built upon idealism—the hope for a more just and better society. It is also built out of the discontent of the poor. Prosperity kills socialism.

The chief method of action of the socialists is the use of the ballot. To win elections, to get socialists in office, and ultimately to capture the political State is the goal. Socialism makes directly for government ownership. It is thus opposed to cooperation which stands for private, or non-political, ownership.

By voting for socialism, the socialist citizen is voting for state socialism. That means that the government carries on the business of the country. Thoughtful socialists do not want state socialism—a big political machine doing everything for the people—but it is what they get if they win their elections. We may be sure that, if the socialists should win all of the elections in any country, and should have the government take over all of the useful businesses, a great super-State would be found to exist. The office holders never consent to give up office and reduce the power of the State. The State is never used to destroy the State. The socialist State will be the most powerful thing in the form of political government that has ever been seen. It will play its part true. Government never

consents to give up its power. Its natural tendency is to strengthen itself, not to weaken itself.

The present method of socialism is to reform the present capitalistic State, by gradually infiltrating it with socialism. As a matter of fact that is going on all the time. The capitalist politicians, as well as the socialists, are doing it. The functions of government are being steadily expanded. It is possible that this whole tendency is mischievous. Perhaps it is not more government, but less government that the people need.

Nevertheless, if the socialists are doing harm in promoting it, they are doing good in holding up to the eyes of the people the ideals of a better state of society. No propaganda has done so much to call attention to the evils of the profit system as that of the socialists. It has constituted real education. It was the socialists, for this reason, more than any other large class, who understood the economic causes of the great war and were the least deceived by the diplomats who made it, and who tried to make the people believe it was motivated by ideals. The socialists have a nose that smells the trail of profits. The merit of socialism is that it not only would teach the people the value of the service motive in industry, but it would introduce service in place of profits. But how effectively it would do this, through the agency of the political state, is doubtful.

### GOVERNMENT OWNERSHIP

Government ownership is a movement toward socialism. It means that the government should own and administer the things that are of service to the people: the post office, fire departments, police, courts, schools, libraries, roads and streets, parks, and hospitals have come under

government ownership in many countries. Electricity, gas, water, telephones, telegraph, and railroads are steadily falling into the hands of governments. Usually the political State administers these things at a lower cost to the public than do profit-making corporations. Profit business usually gives a more efficient administration. The costs are higher but the satisfaction to the user is greater. The political administration easily sinks into indifference and slovenly impersonal methods. There is less robbery of the consumers in the political method, and less graft in the profit method. Governments have some great achievements in conducting public utilities. The water supply of New York City, the Roosevelt dam, the Canadian electric engineering feats are superb examples.

In Europe many combinations of the two methods are used. A private corporation is formed to perform some public service, and the government buys a large share of the stock. Street railways and other utilities are thus owned and administered. Government ownership aims to supply the needs of the consumers. It is a movement in the direction of state socialism.

### GUILD SOCIALISM

Guild socialism is political socialism plus the organization of the workers to control their jobs. The workers would pay the State rent for the property and then make their own prices and pay themselves wages out of the profits. It is state-ownership of the property with the producers' guild doing the work. It accepts the profit principle as the motive of industry. Under guild socialism, the workers would have every reason to want the consumers to buy much and at high prices. Like syndicalism it classifies the workers as workers, always, in their

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**particular trades.** The shoemaker is classified as a shoemaker. As a matter of fact he is a shoemaker only eight hours a day, but for sixteen hours, at least, he is a consumer. He may be more interested in the things he does during those sixteen hours than he is in standing at a machine during the eight hours. For eight hours he is interested in getting the highest wages possible and in making the cost of shoes high; but for sixteen hours he is a human being, interested in living, consuming, expressing himself, and getting everything at the lowest possible cost and of the best possible quality. The theory of separating ownership from control of industry should remove guild socialism from serious consideration.

### COMMUNISM

Communism is an utopian scheme. Its aim is a society with communal ownership and administration by the working class. Today, under Bolshevik dictatorship, it has gotten a new meaning. It is state socialism, plus a purpose to use force to establish and keep going a political dictatorship of a minority, if a majority cannot be had. This Russian experiment shows that, while the abolition of the State is a theory of communism, it is a very remote possibility. Communism in action takes every means to strengthen the State and its control over the lives of the people. Theoretically it concerns itself especially with the workers and not with the consumers. Since the workers, as workers, are interested in making profits, the communist State is naturally found going into business to take the place of the profit-making capitalists. Communism in Russia is establishing a glorified, protected, and privileged capitalism. The State is becoming the great capitalist. Industries are run to make profits. This gives rise to

the conflict of the demand of the workers for wages, the demand of the business for profits, and the demand of the consumers for cheap goods.

The great and outstanding fact of communism is that, theoretically, it aims to set every able-bodied person to work. It would make service the means of obtaining a livelihood. It would abolish income to be derived from the labor of others. These are its theories.

Essentially, as we see it today, communism is a religion. Any one who understands economics may learn that communism is not based on economic understanding, by attempting to discuss it with a communist. His attitude will be found to be that of a religious devotee.

Theoretically, communism is opposed to the cooperative movement; and in practice, in every country where cooperation exists, communism is found in action to be hostile and destructive to cooperation. This attitude is confused by the fact that communists enter cooperative societies. But they join because it pays, or "to capture them for communism." They also start cooperative societies to serve the communist cause. Any cooperative society, that is not controlled by communists, they regard as bourgeois, hostile to the "working class," and to be "captured." There are, however, members of cooperative societies who call themselves communists, who are not communists, but socialists, and who are not "militant" nor destructive in their methods.

We shall see the effect of communism on the movement in Russia, where cooperation survives only because it is stronger than communism. In Germany, the communists have employed highly destructive tactics. The methods used are distinctly undemocratic and dishonest, but always with the zeal of fanatics who believe that any



means is justified to attain what they conceive to be good ends. An example of communist tactics is seen in the society at Aue, in Saxony, where the communists, in order to force the directors to give over the management of the society to the communists, used every possible means to persuade the members to patronize the private traders instead of the cooperative store. So much of this experience is suffered by cooperative societies in all parts of the world that the International Cooperative Alliance is constantly required to take official action to protect itself and its societies from the attacks of the communists. As a result, a pronounced antagonism to communism exists in the cooperative movement. The attitude of communism, on its side, toward the cooperative movement is the same as it is toward "capitalism"—capture its machinery for the use of communism.

### SINGLE TAX

Single tax would place all taxes on the land, upon the basis of its rental value, and no taxes on industry or its products. This would result, in time, in State ownership of the land. It would promote industry. But it would not change the motive nor methods of business. Cooperation employs this same principle and takes the rental value of land for its use, but substitutes the Cooperative Society for the political State.

### ANARCHISM

Anarchism is the philosophy of personal liberty. All forms of government rest upon violence, and are therefore wrong and harmful, is the doctrine of anarchism. It is the philosophy of a society regulated by voluntary agreement among its members instead of by political

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government. It maintains that man should recognize no authorities greater than man, that the program of authorities can be carried out only by subordinating man, that when centralized powers get control of man they enslave his mind, and that the individual man is more important than society. It would abolish all authorities, such as governments, which create classes, and which make men hostile to men.

Anarchism would protect minorities from the control by majorities. It would protect the individual from the State. It takes the ground that bondage to the State is not different from bondage to the king or to the rule of a majority. It is opposed to the doctrine of the State that "law and order" are preserved by means of force—police, jails, soldiers, etc. It takes the ground that the natural good-heartedness, the natural sense of justice, the fairness, and the good-will of individuals will preserve the public peace and harmony better than the force of the State. The punishments and forcible restraints of government, anarchists believe, are largely called for because of the existence of an unjust distribution of the good things. The force of law and government is necessary in order to keep alive this state of injustice. So long as there is one class in society which is attempting to hold more good things than it should have and which must protect itself from another class that has not got enough good things, law and government are called for. But if they were abolished, people would equalize their affairs in a natural way. Thomas Jefferson said that, public opinion in the place of the law will govern conduct as powerfully as the law ever did anywhere. People naturally get along well together if the State or some other authority does not come between them. Richard Cobden said: "The peace

of the world is best promoted by the most possible intercourse betwixt peoples and the least possible intercourse betwixt States."

Anarchism offers no plan of social or economic organization. It positively asserts its concern for the individual and its opposition to centralized governing authority, but it has no plan to give the individual his freedom or to abolish the State. To make itself real it needs to connect itself to some practical movement that is doing these things. Anarchism is mostly negative. It needs to be given life and made positive. The old grudge against the State needs to be forgotten. People need to get busy building something better than the State. When they have succeeded in making something better than the State, the State will cease to be a bother to them. The best way to get rid of the State and its centralized authority is to do a constructive piece of work that will make the State unnecessary.

As to freedom and liberty, which are so dear to the anarchist, there can be no such things in a society in which people are in such close contact and depend so much upon one another as is the case in the world today. Freedom may be sought by the individual who runs away from society and lives utterly independent and alone. His conflicts will then be with nature, which, he will find, will deprive him of liberties just as do his fellow men. There is no absolute liberty.



## CHAPTER III

### THE ECONOMICS OF COOPERATION

#### DEFINITION, PRINCIPLES, AND METHODS

PEOPLE find that they can get more good things with the help of others. This is the beginning of cooperation. When a group of people, who are neighbors and who know one another, unite to act together to do something for the good of each, they naturally move toward the cooperative form of action. It is not the good of all that starts the movement; it is the individual's interest in his own good. A cooperative society is composed of people, each of whom is interested in helping himself—in getting more good things, in making his labor and his money go farther. But to help himself in the cooperative society, the member must do the things that help the other members at the same time. Cooperation is thus a scheme of self help by means of mutual aid. It has come to have its own peculiar meaning.

Cooperation is the voluntary association of consumers into a society, controlled as democratically as possible, for the purpose of directly supplying their immediate needs by observing certain definite and generally accepted rules of action.

The cooperative movement is based on voluntary agreement among the organized consumers. It uses the machinery of capitalist business for purposes of service

instead of profits. It is seen in action in associations of consumers called cooperative societies.

These societies throughout the world are building up a system which tends to take the place of the profit system in business and to perform the useful social services commonly performed by the political State. Cooperative societies are found rendering every service that profit business performs and doing the needful things that the socialized State aims to do.

A cooperative movement had been trying to get started for hundreds of years. All sorts of experiments had been made. In Rochdale, England, a group of poor flannel weavers organized the first successful plan. They started their experiment in the form of a little store in 1844. There were twenty-eight members of the Equitable Pioneers Society, as they called it. They had planned and saved for over a year until they had \$ 140 in all. Besides this capital, they combined the ideas that past experience had proved to be useful. The principles which they laid down are now recognized as necessary for success. Cooperative societies throughout the world follow these principles. They are :

1. Each member of a cooperative society shall have one vote and no more.
2. Capital invested in the society, if it receive interest, shall be paid not more than a fixed percentage which shall be not more than the minimum prevalent rate of interest.
3. If a surplus-saving ("profit") is made out of the difference between the net cost and the net selling price of goods or services sold, it shall be returned to the members in proportion to their patronage or purchases. This money that is given back to the



members is called savings-return, dividend, or rebate. The surplus-saving is what is left after the expenses of the business, including interest on capital, are paid and after funds have been set aside for reserve and other purposes. Among these latter purposes may be any welfare undertakings for the general good of the members or of the society.

The first of the Rochdale principles means that each person in a cooperative society has as much vote and voice as any other person. In profit corporations, each share of stock has one vote, and the person who owns the most stock has the most votes. In a cooperative society not money, but human beings vote. This method makes for democracy.

In the second principle, by paying a fixed rate of interest to capital invested by members, the society cannot be used for capitalistic investment purposes. The rewards to capital do not vary with the savings or "profits." They are fixed and are "the wages of capital." In a profit business corporation the profits are paid to the stockholders in proportion to the amount of stock they hold. A cooperative society gives to the stock only what the same amount of money could earn if placed out at a safe rate of interest. Some societies pay no interest at all on capital furnished by the members.

The third principle is called the keystone of cooperation. It eliminates the profit motive from industry. If the difference between cost and selling price is given back to the purchaser, there is no profit in the transaction. The cooperative method thus removes the profits and carries on the business for service.

All three of these principles are radical. They make cooperation different from other business. If generally applied, they would completely change the nature and method of business. Indeed, the very names of trade and commerce would be changed. Profits would disappear; service would take their place. The members of a cooperative society do not "buy" goods at a store. As a matter of fact, when they supply the original capital and put the goods on their shelves, they have bought the goods. The goods are theirs. People cannot buy from themselves. When the member goes to his store to get some commodity, he takes away with him what he has already paid for. When he takes the goods he leaves at the store an extra amount of money sufficient to pay for the article again and put it back on the shelves; and in addition he leaves the difference between the cost and distributing price. This difference is what in private business would go into the merchant's pocket as his profit; in the cooperative store, it will be given back to the member at the end of the quarter as his share of the savings-returns. When the member goes to his store to "buy" something and "pay" for it he really does neither of these things although to the commercial eye it might seem that he is trading his money for goods.

We may imagine a man who gives his wife eight dollars to buy a box of a hundred cigars. When he wants to smoke, his wife "sells" him one of the cigars for ten cents. After he has smoked a hundred cigars, the family treasury has ten dollars with which to buy another eight dollar box of cigars. This is similar to the cooperative method.

Besides the Rochdale principles there are certain methods which are generally used. Cooperative societies

are composed of members who join of their own free will. Membership is unlimited; that is, anybody can join. The only acceptable reason for refusing a person membership is that his purpose in joining might be to injure the society. Each member is expected to patronize the society. Business is usually done for cash. Persons who have not money to pay for the necessary shares of stock are allowed to join, and their savings-returns, which grow out of their patronage, are applied to the payment of their shares. A certain percentage of the surplus-savings of the society is used for the purpose of cooperative education. At each inventory, depreciation is charged off against the property of the society. Goods and services shall preferably be sold not at cost but at the prevalent prices charged in neighboring competitive profit business. This makes it possible to accumulate capital, and it prevents the active hostility of profit business. Beginning with distribution to the consumers of goods or the supplying of services, societies aim to expand their business, to unite with other societies, and finally to get back to the sources of the supply of raw material and produce the things that the members need to use. The ultimate aim is to supply all of the needs of the members which a social organization can supply, especially to get the control of production in workshop, factory, field, and mine; to encourage membership; to help establish other societies; to form national unions of societies in every country; and to promote a union of national societies in the International Cooperative Alliance.

These, in general, are the aims, purposes, and methods of cooperative societies throughout the world. They are all, more or less, violated. Few societies observe them all.



But the three Rochdale principles are observed. Societies which do not follow them usually fail or cease to be cooperative and become profit-making businesses. Indeed, it may be said that an organization which does not follow these three principles is not truly cooperative.

Although all members have the right to vote, this right is used in most societies only by a minority of the members. Therefore there is a tendency for a small minority to "run" the business. The societies of Germany, Sweden, and some other countries, conscious of this danger, organize their rules and methods so as to encourage all members to take a part in controlling the business. It may properly be said that a true cooperative society not only has one vote for each member but provides that the member shall use his vote.

Consumers' cooperative societies are usually formed by people who live in the same community and have neighborly interests in common. They begin by organizing a society to run a store, bakery, bank, or other business.

Usually the society is incorporated to limit the liability of the individual members. In corporation is not necessary. In fact in Poland and in some other countries, there is a feeling, borne out by experience, that the interest and loyalty of members is best encouraged by having each member responsible. This individual responsibility is secured by non-incorporation "with personal liability of each member." Members who may thus be liable for the debts of the corporation are much more apt to watch the business and to be zealous for its success. They go to meetings, take an interest and want to know what is going on.

The members elect a board of directors and often other committees such as a committee for auditing, recrea-

tions, education, etc. The directors appoint a manager and other employees. Usually directors give their time free. Some societies pay them for the meetings they attend. In large societies an executive board is salaried and gives full time to the society. Regular meetings of the members are held. They follow the parliamentary usages that make for democracy of administration and control. The directors and committees meet more frequently. Most societies publish or receive a cooperative paper or magazine by which the members are kept informed. Lectures and other educational work are a part of the program. Societies naturally aim to expand into other fields of service.

An example may show what a successful society in the United States does. The United Cooperative Society of Fitchburg, Massachusetts, was started in 1910 with \$ 1100 capital and less than a hundred members. Fitchburg has 43,000 population. They opened with a small grocery store. The turnover averaged about \$ 1,500 a month the first year. Two years later a second store was opened. A third store was opened in the fourth year. In the seventh year a fourth grocery store was opened, a meat store, a shoe store, a men's furnishing store, a bakery, and milk department. Now the society has 580 members and \$ 18,000 paid up capital. In 1925 its total turnover was \$ 285,000, the surplus-savings were \$ 12,000, and the reserve and undivided surplus savings \$ 25,000. A coffee roastery has been added. Its creamery pasturizes and bottles milk. This is a simple example of the business done by an average cooperative society.

A society in England may be taken. The society of Leeds is not the oldest nor the largest in England. The city of Leeds has 430,000 population. The Leeds Coopera-



tive Society has over 95,000 members, representing more than half of the families in the city. The society is over fifty years old. It has 246 stores.\*

The Leeds Society sells \$24,000,000 worth of goods a year and produces in its own factories \$5,000,000 worth. Its surplus-savings ("profits") amount to \$2,500,000 a year. This business is done on a capital of \$7,500,000. Shares are \$5 each. Each member is required to take five shares which may be paid for by allowing the savings-returns to accumulate. Its life insurance department gives insurance to all members. Its general banking business has over 50,000 depositors. Besides its commercial activities, the society has recreational houses, libraries, meeting halls, restaurants, a printing plant, schools, a touring club, and clubs for nature study, literature, music, and art. It spends over \$30,000 a year on educational work. Its Women's Guild has over twenty branch locals. This society was organized by a small number of working men. Its buildings are among the finest and most substantial structures in the city.

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\*These consist of 98 grocery stores, 77 butcher shops, 19 dry goods stores, 19 shoe shops, 16 coal yards, 6 men's furnishings stores, 5 fish and vegetable markets, and 6 farms just outside the city. Besides these it has a shoe factory, a furniture factory, a brush factory, a musical instrument factory, a jewelry factory, a flour mill, a paper bag factory, a laundry, a carpet cleaning and dye works, a leather goods factory, a cake and cracker bakery, a ham, bacon and lard factory, a clothing factory, a hosiery factory, and a wheel wright and wagon shop.

This society produces 20,000 tons of flour a year in its flour mill. Its bread bakery produces 1,000,000 loaves a year. Its shoe factory makes 70,000 pairs of shoes and repairs 130,000 pairs yearly. It owns 156 horses, 137 wagons, 49 carts, 30 covered vans, 21 automobiles, 183 railroad cars, 27 barges for coal and grain, and 1 steamboat. It has 3,000 employees.

These examples give a general idea of what a hundred thousand of these societies are doing in over forty different countries.

When enough societies exist in any country they federate to form a national union. There are two forms of national organization : (1) a union for purposes of education, propaganda, protection, and advice; and (2) a union for commercial purposes and manufacturing, commonly called a wholesale. In some countries the two are combined in one national organization. The membership of these national federations consists of societies, just as the membership of the societies consists of individuals. The Rochdale principles are used in the federations. The member societies own and control these national unions and wholesales just as the individual members own and control the local societies.

The unions and wholesales are run by boards of directors elected by the delegates of the member societies. In the case of large wholesales, the directors are full-time salaried employees. The national wholesales in the course of time find that they are buying so much from manufacturers and importing so much that they take the next step and start their own factories and importing agencies. The factories in time develop the need of so much raw material that land is bought for its production.

National unions of cooperative societies now exist in thirty-six countries. These unions are federations of societies for their mutual benefit. They are organized confederately with the idea that the societies shall control the central union in their interests. These unions have a central office. Often they own their own buildings. Many of them accept as members not only consumers' cooperative societies, but also profit-sharing productive societies

called "cooperative"; some national unions such as in Italy, the Lega Cooperativa Nazionale, before its destruction by the Fascisti, admitted also wage-sharing labor guilds, farmers' marketing organizations, and societies which violated one, or even more, of the three Rochdale principles. The natural tendency, however, is to make membership in the national unions a membership of consumers' societies. The German national union has been exclusively a union of consumers' societies since 1912.

The oldest national federation of societies for commercial purposes is the English Cooperative Wholesale Society, organized in 1863.

The oldest national union is that in Great Britain, organized in 1869. Its central building, in Manchester is called Holyoake House, after G. J. Holyoake, an early cooperative teacher and propagandist. This union is composed of over 1300 retail distributive societies and a few other organizations. It has eight different district organizations, with branch offices. Its Educational Department carries on much educational work. Its annual congresses are composed of two thousand delegates. They are important national events and are attended by fraternal representatives from many foreign countries. The British union has paid staffs of workers. It collects information, makes surveys, publishes instructive reports, conducts schools, shows societies how they may meet their problems, takes steps to protect them from the government and from profit-business, publishes a large amount of literature, and makes available the lessons to be learned from the mistakes and successes of its societies. It is organized to do the things that are good for its members.

This is the natural way cooperation advances. It is by evolution. Cooperative societies move slowly and



steadily, from the consumers toward the place where things are produced and grown. All of this is in the interest of the users who own and control the business. Thus have come up some of the largest manufacturing industries in their respective countries. Thousands of acres of land have been bought by the consumers, and great organizations built up by them for supplying their needs.

These societies usually begin by supplying and then producing for their members the simple household and personal things, such as food and clothing. But the luxuries are also secured in this way. Cooperative housing societies, banking societies, and special societies for doing all sorts of things are found. Often these special functions are performed by the ordinary distributive society which begins with a store.

## ECONOMIC ASPECTS

### DISTRIBUTION

The poor people who thought about economic matters a hundred years ago first believed that what they needed was more wages. They organized trade unions and got more wages. Still they remained poor. When they realized that they had no control over the prices they had to pay for what they consumed, the idea of the cooperative movement was born.

These people had no servants at home, but still they saw they were paying servants to supply them with goods. At the places where things were produced, and all along the line, until the things reached them, there were people handling the goods for which the consumers had to pay. The servant nearest to the consumers was the retail

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merchant; they had to support him. Why not do the work themselves? He went to the wholesaler and bought things for them, weighed them out and warpped them up: why not do that themselves? Then they could at least control one price, and get rid of the expense of one servant. And if they could succeed in doing the work of the retail merchant, then, perhaps, in time they could take the next step and save themselves the wholesalers' profit. Who know where they might end?

It was these ideas that the Pioneers put into operation. There was not so much philosophy in what they did as there was hard practical work. There was more scratching of gravel than scratching of heads. There was more digging down into their pockets than into the musty lore of the past. The philosophy of cooperation has grown out of the trial and error of the experiences of thousands of societies.

Now certain facts have developed. Cooperative organization begins best with the people as consumers. It is for the individual user and absorber of things. It is for the human being in the enjoyment of things. The basic idea of cooperation is that the consumers are everybody, and that all of the machinery of industry and the organization of society should be for them.

Cooperation has not done all that it can do until the profit motive does not touch any of the things the people use. So from their first experience, in learning how to collect goods together and distribute them to themselves, cooperators train for larger business, to cut out more profits and do things for themselves. When the wholesale is organized, it buys from manufacturers, imports, and gets goods in large quantities. Finally it produces goods for its members.

## PRODUCTION

The English Cooperative Wholesale Society (C. W. S.), now composed of over 1,200 societies which own and control it, began in 1863 by buying goods in the market and distributing them to its societies. Soon it found that its purchases of certain products were as large as the total output of a factory. Then it began to establish factories of its own. That is the way manufacturing for service begins.

So long as the wholesale is handling goods that it does not manufacture, it must have in mind the possibility of its own factories to produce them. The English wholesale now has 116 factories and productive industries.\*

The supplies produced in these plants amount to \$150,000,000 a year. With the Scottish wholesale it is the largest importer of tea, grain, butter, sugar and dried

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\*An idea of the extent of its production may be had from the following list of its plants which are located throughout England: 3 butter and cheese factories, 2 bacon factories, 2 tea blending and coffee roasting plants, 1 cocoa and chocolate factory, 2 biscuit and confectionery works, 4 preserve works, 3 soap works, 8 flour mills, 2 provender and oil cake mills, 1 oil mill, 1 tobacco factory, 2 lard refineries, 2 pickle works, 1 margarine factory, 5 printing, lithography and book-binding works, 1 rope and twine works, 2 coal mines, 7 woollen weaving factories, 1 hosiery factory, 2 corset factories, 4 shirt factories, 3 woollen mills, 3 cotton weaving factories, 12 clothing factories, 10 boot and shoe factories, 3 canneries, 4 furniture and cabinet factories, 1 brush and mat works, 1 automobile works, 1 iron motor and bicycle works, 1 cutlery factory, 2 scale and weighing machine factories, 5 saddlery and harness works, 1 trunk and bag factory, 1 picture framing establishment, 3 china and pottery works, 1 paint and varnish works, 2 drug and chemical factories, a number of farms, creameries, and laboratories.

fruits in Great Britain. Its purchase of Danish butter is equal to 20 per cent. of Denmark's total exports, and 29 per cent. of her exports to Great Britain.

The C. W. S. owns steamships. It has purchasing offices in the large commercial centres in every part of the world and depôts in various European countries, North America, Africa, and Asia. It is the largest single purchaser of Canadian wheat in the world. Its flour mills are the largest in Great Britain. Its total business amounts to over \$350,000,000 a year; meaning that it distributes goods of this value to its societies.

Retail societies also go into production. Often they find it is cheaper and better to produce certain things than to get them from the cooperative wholesale. Certain things are best made locally. Also it gives direct employment to their members. The bakery is commonly established by local societies. Shoe repairing shops, creameries, sausage factories, coffee roasteries, preserve and canning works are commonly established in the town where the retail society is located. Large local societies often own farms and have flour mills and many other industries.

Where does the money come from for a wholesale society to acquire these large industries? The capital is developed the same as the retail society develops its capital. The wholesale supplies goods to retail societies at the regular market wholesale price. The difference between this price and the cost price is the surplus-saving ("profit"). It accumulates in the treasury. Also the banking departments of wholesales supply them with funds. The English Wholesale is often criticised by economists for allowing so much of its huge surplus to lie idle. It could expand much more rapidly, if it were



not for the conservative policy of its directors. But in sixty-four years it has grown from the smallest wholesale business in Great Britain to the largest, and its member societies are satisfied that it should not expand too fast.

#### NATURAL RESOURCES.

The tendency of cooperation is to move toward the land to get raw material. The factories of the wholesales find that they are using so much raw material that the wholesales always must ask themselves whether they could not produce it cheaper than they can buy it. Thus tanneries are established to supply the shoe factories with leather. Saw mills make lumber for furniture and boxes. The ownership of farms, ranches, and forests follows next in order. The English C. W. S. owns 33,000 acres of farm lands in England. Several of its farms contain three, four, and five thousand acres. Jointly with the Scotch C. W. S. it owns 35,000 acres of tea plantations in India and Ceylon, which employ 10,000 people. The Scotch wholesale owns wheat lands in Canada. The retail societies of England own over 60,000 acres of farm land. The coal mines owned by the C. W. S. are successful enterprises. Palm olive estates in Africa have been acquired to supply olive oil for the soap factories.

Societies in several countries have fishing fleets and fish packing plants.

Cooperative societies are found going back to nature in many other fields. A Finnish wholesale is the largest manufacturer of matches in that country. Its own forests supply the wood.



## SPECIAL ACTIVITIES

It is instructive to examine some of the other fields, outside of the distribution and production of commodities, in which the cooperative method is found in actual operation.

*Housing*

Housing is developed in three different ways. (1) Houses are built by landlords to sell or to rent to tenants. (2) Cities and towns build houses to rent to their citizens. (3) Individuals and societies build houses for their own use. The latter is the cooperative method.

In New York City more than ninety per cent. of the people live in somebody else's house, and most houses are not built to live in but to rent to tenants. In Europe the landlord business is about played out. There are very few houses being built by private individuals for their own residence or even to rent for profit. Most of the house building is done by municipalities, by corporations, and by cooperative societies.

The cooperative houses are of two kinds. Some are built by societies which conduct stores and other supply enterprises, and with some of their surplus-savings they build houses which they rent at cost to their members. The consumer's society of Hamburg, Germany, with 130,000 members, 275 retail stores, shops, factories, 16,000 acres of farm land, banking, insurance and many social activities, owns over 140 blocks of buildings containing over 1,200 dwellings. It has also groups of detached houses, with gardens, in the suburbs of Hamburg. Many German cooperative distributive societies thus go into housing. In fact the common name used

by German distributive societies is "Konsum-, Spar-, und Bau Verein," indicating that they are organised for banking and house building as well as for distribution.

In Switzerland, Germany, and many other countries, cooperative societies are organised for the special purpose of house building and house owning for their members. Most German cities have such societies; there are 4,000 in Germany. This is the most efficient and perfectly organised form of housing.

Let us look at the Workingmen's Cooperative Building Society of Copenhagen, Denmark. This society builds blocks of houses containing about 215 apartments each, which embrace a whole city block, with a large and attractive court yard in the middle. It has also an attractive suburban village. It is a member of a Danish federation of housing societies. This Copenhagen society has over 3,000 members. It has already built over 2,000 homes in apartments and has over fifteen different groups of buildings. It owns many acres of land upon which to continue its further developments. These societies have their own bureau of architects, workers, door and window factory, brick kilns, cement works, paint shops, tile factory, and water pipe factory. Often such housing societies have a central steam heating plant for their detached houses.

In the suburbs of Berlin are many such societies with charming gardens and floral decorations.

Nuremberg has an especially beautiful housing development.

One of its societies has a "garden city" in the outskirts of Nuremberg. The society has 2,400 members and some 800 houses. There is always a large waiting list to

demand more building. The payment of 200 marks entitles the member to a house. After that he pays about 40 marks monthly for a four or five room house with bath. The society owns a brick kiln and saw mill. The houses, with their gardens, are charming as well as comfortable, and vastly superior to those occupied by workmen of the same occupations in England, France or America.

One of the interesting housing societies in Switzerland is at Basle. Here is a village, called Freidorf, with 150 attractive houses covering an area of twenty acres. The society owns everything including the park and streets. It has a central communal hall which contains meeting rooms, restaurant, school, theater, and gymnasium. Fruit, lime, and walnut trees border the streets. Each house has a garden.

Many such societies employ gardeners and florists. They also carry on banking in the interest of the members' credit needs.

A true cooperative housing society is a corporation which owns the buildings in which the members live. Houses or dwellings are rented to the members on long leases. Some rent for 99 years; some rent of 999 years. The lease is for so long a time that it practically is the same as ownership; only the property can not be sold by the member.

In order to join a housing society one must put in some money to pay for shares. The amount varies in different countries. Usually it is the equivalent of the rental for a year. The rest of the money is borrowed or raised on mortgage on the property. In some countries, such as Germany, the land is often donated by the Government. This makes it possible to have very low rentals. I have seen good cooperative houses



rented to railroad workers in Germany for one-fifteenth of the workers' wages. In America, workers pay about one fourth of their wages for houses not as good.

In European countries the housing societies usually have more members than dwelling, so that there are always members waiting for houses. If a member who has a house wishes to move away the society buys from him his shares at par and releases him from his unexpired lease. The property is then leased to another member.

Many housing societies also conduct stores in one of their buildings or rent space for stores to the local consumers' societies of which the tenants are members.

True cooperative housing is developing on a large scale in continental Europe. It is actually giving the people better houses than they ever had before. By building houses for use, the profits of construction and contractors are cut out. The problem of ground rents is solved. The individual cannot speculate in land. He rents the home from his society which holds title to it, and he may have it as long as he uses it.

It can easily be calculated that people who can afford to pay rent, and that means everybody, can afford to own their own home. People who can afford to live in a house, if they only knew it, can afford to own, on a cooperative basis, the house they occupy. In New York, the average tenant pays enough rent in ten years to equal the value of the house. This means that every ten years he buys house from the landlord, and then makes the landlord a present of it.

There are all sorts of imitations, frauds, and substitutes for cooperative housing. In England cooperative societies build houses and sell them to their members. The members are then at liberty to speculate in real estate and the



cooperative feature disappears. This may be called cooperative house building, but it is not cooperative housing. In most European countries the municipalities build houses which are rented to working people. Cities, such as Vienna, in which the socialists have a political majority, are found discouraging cooperative housing and building municipal houses. I have studied with interest the difference between these two classes of buildings in many cities. They are striking and characteristic.

A block of cooperative houses looks like homes occupied by the owners; and that is just what they are. The premises are cleaner, there are apt to be flower-boxes at the windows, and there is apt to be a brightness and pride in ownership and occupancy which is not seen in the city-owned houses. The city houses look like tenement houses; and as a matter of fact, that is what they are. The city is the landlord, and it is hard to make the tenant believe that as a citizen he is an owner. The complex political system, which stands between him and ownership of the house, convinces him that he has to deal with a landlord who is a long way from himself. As a practical fact the tenant acts as though he had no personal sense of ownership, which perhaps means that he has none. I know that I can tell a cooperative apartment house from a city-owned house a block away; and I think this means that there is a difference in the state of mind of the tenants.

The monthly "rental" paid in a cooperative house is apt to be less than in the city-owned house of the same type. In Copenhagen the cooperative society builds better houses at a lower cost and rents them at a lower price than the city.

In Italy the municipalities build houses for organized groups of workers, and sell them the houses outright.

The individual buys a house or apartment by paying "rent" for about twenty years. Then the house becomes his own property. After that speculation becomes possible.

In America there is every sort of real estate development called "cooperative." Most commonly a real estate company builds apartments and sells each apartment to a separate owner.

Or a corporation of tenant-owners is formed. They then take long-term leases on apartments, which they may occupy, or sub-let for a profit. In some cases the stockholders of the corporation owning an apartment house occupy half of the apartments and rent the other apartments to non-stockholders at a profit sufficiently high to give the resident stockholders their rent fee.

Still there are many genuine cooperative apartment houses in America. A difficulty which arises is that the value of the houses goes up and the members are tempted to take advantage of the situation and speculate. They sub-let at a profit or they sell at a profit, and the cooperative feature of the house is destroyed. In one case in New York the cost of an apartment in 1922 was \$2,210 and the owner in 1926 refused an offer of \$11,000 for the same apartment. The monthly carrying charge is \$71 and the owner sub-lets it for \$185. This is the sort of situation that is destructive of cooperation.

To preserve the cooperative principle seems difficult in a rising real estate market. The hunger for profits on the part of people, even though they start out as cooperators, destroys cooperation. In Europe this seems not to occur. In America it has caused cooperators to sell their property and put the profit in their pockets; and in some instances they have all sub-let their apartments.

and moved out. It can be prevented only by educating members in loyalty to the principle of cooperation, by providing in deeds and by-laws against speculation, or by having the property held by large cooperative societies having holdings extending over a considerable area and controlled by a diversity of members the majority of whom would not be benefited by speculative sale or rental of a single house. The society should be so organized that, if a property is sold for speculative reasons, the profit goes into the treasury of the society and a new dwelling is provided for the members who had occupied the property that was sold.

An example of cooperative housing that apparently has overcome these difficulties is that of the United Workers Cooperative Association in New York. This association began with a small membership which leased one floor in a private house. As the membership grew, they took the whole house. Then they added a restaurant, library, and music room. In 1924 they started a cooperative camp in the country for vacation recreation. The association grew. In 1925 they bought an entire city block of vacant land in New York City, facing one of the city's parks. Within two years they had added so many new members that they increased their purchases to six city blocks. Now an apartment house with 963 rooms has been built on one of these blocks and is occupied by 339 families, and work is well advanced on the second block of apartments. Most of these apartments contain three, four, or five rooms, including a kitchen and bath. There are 57 rooms furnished as bachelor apartments. In the basement are an assembly hall, dining hall, library, gymnasium, and electric laundries. The members maintain stores, a kindergarten, day nursery, and social organizations.



The total cost of this first block of apartments was \$1,525,000. There is a first mortgage of \$1,150,000. The tenant members paid in \$250,000. The balance was raised by a bond issue. Tenants make an initial payment of \$250 per room. Monthly charges, covering upkeep, capital charges, and amortization of mortgage amount to \$13.50 per room. These are very high grade apartments, in a city with the highest rental prices in the world.

To insure the success of a cooperative housing society requires that certain definite methods shall be followed. Economies in the purchase of the land and materials are important. The burden of initial high costs remains a burden forever. The capital should be borrowed on long term paper—twenty years if possible—with the privilege of earlier payment. Money is obtained by mortgage, by bond issue, by municipal loans, by stock issues, and by personal loans. The property must be owned wholly by the society in which the member owns shares, and from which he has his long term lease.

When a member wishes to withdraw from the society his shares must be bought back by the society and his lease terminated. For this reason the successful organizations always have more members than they have apartments so that there is a waiting list and an incentive to continue buildings and expanding.

If a society has not the money to buy back the shares, it may sub-let the apartment for the members' benefit. If by the end of a year the society has not been able to pay for the shares, then the member should be privileged to sell the shares to some one acceptable to the society and who signifies his intention to occupy the property.

In all respects the Rochdale principles are observed except that savings returns are not usually paid back to



members. A moderate rate of interest is paid on share capital. Each member has one vote.

A member gets a certificate of stock and a lease. He may transmit these to his heirs who may become members and continue to occupy the premises. If a member finds it necessary to sub-let his home he may be permitted to do so for a certain limited period of time to a tenant approved by the directors. But the member is responsible for the monthly payments. A non-member who thus rents an apartment from a member should pay the current commercial value as rental; but it is best that the member who sub-lets the apartment should not be permitted to make a profit. If there is profit it is best that it should go to the treasury of the society. This at least should be the case if the sub-letting is for any considerable time. Sub-letting cooperative houses at a profit to the individual member soon breaks up the society.

Housing societies are organized the same as other cooperatives. The members elect a board of directors. In the ordinary society no full time manager is required. The directors attend to the business and collect the monthly charges.

The monthly charges which the member pays for his cooperative apartment are not rent. They are made up of (1) running expenses and (2) payment on principal. The first (1) consist of interest on share capital, bonds, mortgages, notes and other obligations; taxes; fire and liability insurance; light, coal, and power; wages to janitor and other employees; repairs and supplies; to pay dues or to own shares in a federation of housing societies which perform various services for its members; and to carry on social activities. The second (2) is really capital investment and consists of money paid to amortize the mortgage

or mortgages, to pay off the principal on the indebtedness, moneys placed in a fund for reserve and expansion, and a depreciation fund if necessary. The first group of costs is the ordinary expense which the private owner of a house would have to meet. The second group of charges comprises the payments which the private owner of a house would make as investments if he still owed money on his purchase. The total of all of these amounts is collected monthly. It is often called rent; but it is not rent. People do not rent from themselves what they have bought and for which they are paying. It should be called carrying charges.

The members of such a society can usually look forward and expect to see their monthly "rental" charges steadily grow less as principal and interest are reduced. Whereas the tenant who rents from a private landlord can usually look forward and expect the rents to increase.

It is customary to pay off 5 per cent. of the principal on the mortgage and other indebtedness each year. Thus at the end of twenty years all of the indebtedness is paid. As the capital indebtedness grows smaller the interest charges grow smaller. When all of the debts have been paid, the only costs remaining are the running expenses which any owner of a property has to meet.

A useful plan is to add to the expenses the cost of insurance of the members so that if a member is sick, out of work, or if he dies, there is a fund sufficient to meet his obligations for at least a year. This makes still further for permanence of abode.

If the monthly payments required from each tenant member should not be sufficient to meet all of the carrying charges, an assessment or an increase of the charges

can be made at any time. It is best, however, to make plenty of allowance at the beginning in the original budget and provide for unexpected expenses.

There are certain expenses which are met by the individual member, such as the interior decoration, painting, etc. of the apartment which he occupies. A reserve fund is created to purchase the shares of members who must move away and leave the society.

The depreciation fund, to meet annual expenses from wear and decay, is usually 1 or 2 per cent.

In a small apartment the directors act as house committee and attend to all matters which naturally belong to a landlord. In a large group with a block of apartments or a village of houses, separate committees for special purposes are elected by the members at a members' meeting. They all serve without pay. Some societies employ a bonded real estate firm to collect the dues from members, hire employees, and make purchases. It is best for the members to do these things themselves.

The best housing societies have all of the members serving on some special committee. The following committees are found at work in different societies: social activities, drama and entertainment, education, gardening, play grounds, stores and bakery, central kitchen and restaurant, laundry, refrigerating plant, garage, nursery and dispensary, and servants. Joint arrangements may be made for part time services of maids, cleaners, seamstresses, nurses, kindergarten teachers, etc. When people begin doing things together there is no end to the things they can learn to do.

The social and educational committees play an important part. They hold meetings and provide lectures.



debates and classes, and carry on activities to keep alive the feeling for cooperation.

New members are elected from a waiting list. In a large society, they are usually passed upon by the directors. In small societies the candidate must be approved by three-fourths of the membership as well as by the directors.

Provisions are made in the by-laws for dissolving the society when this becomes necessary. It is customary to sell the property and divide the proceeds among the members in proportion to their stockholdings. A society in New York is now going through this experience. Their property has increased greatly in value. The palms of the members itch to get hold of the money that is offered them. They are selling out and the society will disband. The increase in value really belongs to the community. If the society provided in its by-laws that if they sold out, the members should receive back with interest the money they had paid in, and the proceeds of the sale above that amount should be given to the community in the form of cash or a library, a playground, or park, to an educational institution, cooperative housing societies would not be so tempted to break up housekeeping when prosperity overtakes them. The solution of this problem is the large society, with widely distributed and diversified ownership, or housing combined with other cooperative activities.\*

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\*Valuable information on this subject may be had from The Cooperative League, 167 West 12th Street, New York City. Especially useful is the booklet by Agnes D. Warbasse on *The ABC of Cooperative Housing*, which contains model by-laws for a housing society. *Cooperative Homes for Europe's Homeless*, by the same author, and her discussion of Cooperative Housing before the Fourth Congress of The Cooperative League (see Transaction of IV Congress, 1924) are illuminating.



*Cooperative Banking.*

Cooperative banking is banking for the service of the depositors and borrowers. In the United States are over 31,000 profit-making banks. The stockholders have invested in these banks about \$ 2,500,000,000. But the depositors have in these same banks \$ 36,700,000,000. This means that for every \$ 1 that the stockholders have put in, the depositors have put in nearly \$ 15. The banks do business and make their profits with \$ 1 of stockholders' money and \$ 15 of depositors' money, yet the stockholders are the fortunate ones who get the large profits made by the banking business. The depositors furnish the money; the stockholders use it for themselves. The cooperative system of banking, on the other hand, provides that the depositors and borrowers shall get the benefits. Stockholders are treated as depositors.

There are many kinds of cooperative banking. Much of it does not carry out fully the three Rochdale principles. But the speculative, profit-making idea is largely gotten rid of, and service is its chief aim. The best form of bank pays the depositor interest and lends money to the borrower at a somewhat higher rate. Both depositor and borrower are members and stockholders. The difference between the two rates of interest is used for overhead expenses and to build up a reserve. What is left over is net surplus-saving. This is divided as a savings-return, between the depositors and the borrowers in proportion to the interest they receive and pay. This return is based upon the amount of money and the time it is deposited or borrowed.

In cooperative practice there are exceptions to this method. Usually the bank actually makes profits and

pays them in the form of dividends to the stockholders. The borrowers and depositors, however, in such banks usually have to be stockholders; and one vote for each member prevails.

Cooperative banking was founded by Schulze-Delitzsch, and Raiffeisen. By the banking methods which these men established, the German farmers were able to get out of the hands of the money lenders and lift themselves up from the dreadful poverty which swept through Europe after the wars of Napoleon in the first half of the nineteenth century. In Europe they are called "popular banks," "credit banks," and "peoples banks"; in the United States, "credit unions." Usually they begin in a small way. They have spread to every country. Germany has over 20,000 credit societies. Most of the farmers of Denmark do their banking business in these societies. Russia had over 25,000 such banks in 1913. The total number of these banking societies in the world is around 80,000 with a membership of 25,000,000 and an annual business of many millions.

A new kind of cooperative banking is now growing very large. It is done through the ordinary consumers' cooperative society, which organizes a banking department. Each store serves as a branch for the bank, where members make deposits and draw out money. Members are encouraged to allow their savings-returns to be placed to the credit of their account in the bank. In the cooperative stores of many European countries one sees the members drawing out money to make purchases and depositing what is left of the weekly wages after the family needs are supplied. The central national wholesale or union acts as the central bank. Thus, for example, the Banking Department of the English Wholesale Society in

1926 had a turnover in deposits and withdrawals of nearly three billion dollars. /

A peculiarity of the Raiffeisen type of credit bank is that it lends money on character. A member who has no property at all to offer as security can borrow money. The losses among cooperative banks and the failures are less than among the capitalistic banks. This is true even in the United States where cooperation, in all forms, is backward. It is noteworthy also that people find banking not the complicated and difficult business it is supposed to be. Banking is neither difficult nor complicated, especially when it is used simply for the service of the people concerned. With sound bookkeeping and auditing, it succeeds in the hands of any group of people who are willing to use ordinary common sense. There is no mystery about it. In fact the average housewife, who takes her husband's wages and makes them feed, clothe, and house the family, solves difficult financial problems every day, which train her in the understanding of fiscal business.

Cooperative banking in the United States is largely in the form of the building and loan associations and credit unions. Building and loan associations are cooperative banks for the purpose of home-building.

There are in the United States more than 12,000 of these institutions, sometimes called also savings and loan associations. Their assets amount to more than five billion dollars, and their total membership about 10,000,000. They are non-profit organizations for the mutual advantage of their members. The first of these associations was started in 1831. Now there are one third as many as there are commercial banks. Their failures have amounted to less than 1 per cent. While the failures of the commercial banks have amounted to 6 per cent. These



organizations are not conscious of their cooperative character and have never connected themselves with the cooperative movement.

The credit union begins as a small cooperative bank. It is similar to the Raiffeisen banks of Europe, and is usually organized by some group already held together by some other organization or by people who have a common interest and acquaintance with one another. About half of the states in the United States have a credit union law under which such organizations are incorporated. Each member must subscribe for at least one share of stock and pay for the same in cash or in monthly or weekly installments. Twenty people with \$ 5 each can start a credit union. In some states seven people are enough. The union is under the supervision of the state banking department, just the same as the big banks.

The par value of stock is usually \$ 5 a share, which may be paid for at twenty-five cents a week. The purchase of this stock is the method by which the member makes his savings. If a member would save a dollar a week, for example, he subscribes for four shares and pays in twenty-five cents a week on each share. In most states with a credit union law the member may also have a deposit account in which he may deposit irregular amounts at irregular intervals. Dividends on shares are figured semi-annually or annually. Interest on deposits is usually figured monthly and added every three months. The interest rate is usually somewhat lower than the dividend rate. The member treats his deposit account as a fund for current use, but his dividend account is regarded as a more permanent saving.

Most of the surplus-savings of the credit union are paid back as dividends on stock. Since the stock really



represents most of the capital and since borrowers have to be stockholders the borrowers and depositors thus get back the money that in capitalistic banking would constitute the profits for the stockholders who furnish but a minor part of the capital. The credit union is usually allowed to charge borrowers one per cent. a month interest, or 12 per cent. a year. After a union becomes established and strong it often reduces this rate. Twelve per cent. seems large. But it must be remembered that the credit union is for the small borrower who cannot get money from the commercial banks. Without the credit union he must go to the "loan shark" who charges him anywhere from 100 per cent. up to the sky. A recent investigation in Chicago shows "loan sharks" actually getting \$ 1,080 interest on a loan of \$ 30. One case disclosed an interest rate of 3600 per cent. The Russell Sage Foundation reports a case of a man who paid \$ 312 interest on a loan of \$ 10 and was then sued for the principal! It is estimated that from 7 to 15 per cent. of the people of the United States are in a position to borrow money at the normal legal rates; the rest must go to the usurer. The credit union is organizing to take care of the union working man who says: "I am out of work. The next season of work is six weeks off. My baby is sick. My wife needs clothes." This man by joining the credit union of his labor organization can borrow the money necessary to save his self respect.

This movement in the United States is being effectively carried on by the Credit Union National Extension Bureau,\* which is promoted by Mr. Edward A. Filene, of

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\*Valuable information and assistance in organizing credit unions can be had from this Bureau. The address is 5 Park Square, Boston, Massachusetts.

**Boston.** The executive head of the Bureau is Mr. Roy F. Bergengren, whose work in this field is one of the most useful and highly efficient services that is being performed for the cooperative movement in this country.

In 1925 there were in the State of Massachusetts 86 credit unions with 55,000 members and assets of \$ 8,679,700. At present there are over 300 with more than 87,000 members and \$ 12,000,000 assets. There are also 220 building and loan associations with over \$ 425,000,000 assets. The Telephone Workers' Credit Union, in Boston, has over 13,000 members and total assets of over a million dollars. About half of its members are borrowers and about half of its capital consists of deposits.

The Russel Sage Foundation in New York is active in promoting the credit union movement in New York. In 1924 the total membership in that state was 64,399 with assets of \$ 10,543,076; in 1927 the membership was 69,820 and the assets \$ 12,048,277.

These organizations are going a long way toward teaching the people how to take care of their credit needs.

### *Insurance*

Insurance of almost every kind is provided by the cooperative method. The Joint Insurance Department of the English and Scottish Wholesale Societies, now known as the Cooperative Insurance Society, provides life, fire, accident, burglary, fidelity, employers' liability, live stock, plate glass, automobile, boiler, electric plant and other kinds of insurance. This society is steadily growing. Its last report ( 59th annual ) shows income from premiums of over \$ 17,000,000 per year. The amount of business and the number of policies continues to increase each year.

The society has \$ 30,000,000 in assets. The ordinary life section has 167,000 policies in force and the industrial section has 1,808,000 policies. The society has 169 district offices in various parts of the country with 2,481 full time employees. This insurance is carried on wholly in the interest of the insured. The surplus-savings are returned to the insured. "No portion of the profits has ever been distributed among the stockholder."

The Health Insurance Section of the English C. W. S. has a membership of over a quarter of a million. It provides free dental treatment, legal assistance for recovery of compensation, convalescent home benefits, benevolent grants, compensation during sickness, and maternity benefits.

The consumers' cooperative societies of England are more and more making use of the insurance of the Co-operative Insurance Society. One method is to insure whole societies without medical examination or formality. Every purchasing member of an insured society is thus insured without the payment of any premium by the individual. The retail society simply pays the Insurance Society one penny a year for every pound sterling of purchases made by its members. This system insures all the members. The amount paid to the widow, widower, or children is based on the average yearly purchases for the three years before the member's death. The needs of the family are thus judged by what it consumes. This insurance scheme also promotes loyalty to the society.

The German societies have an especially efficient scheme for the insurance of employees. In the Scandinavian countries practically all of the members of cooperative societies are getting the benefits of insurance. In the United States cooperative insurance is found especially



among the farmers. They have been particularly successful with life insurance. There are in the United States about 2,000 cooperative fire insurance societies among the farmers. They carry insurance of around \$ 6,000,000,000, which costs the insured about one half the rate charged by the profit-making companies.

The mutual insurance societies in the United States, with assets running into the billions, are a close approach to cooperation. They practice proxy voting and have centralized control, and thus fail to develop any movement toward democracy. They resemble cooperative societies in that they make no profits for stock-holders. They are truly service organizations.

Insurance at cost, in the interest wholly of the insured, is proving to be practical, and if the insured can learn to take care of their own business, it presents advantages over insurance conducted in the interest of stock-holders.

### *Recreations*

Recreation is what most people are interested in, next to life and love. What to do with the leisure time is the big question. Cooperative societies are trying to find the answer. The "houses of the people" in Belgium are buildings of the cooperative societies for both education and recreation. There are found lectures, plays, motion pictures, concerts, and sports. Choirs and orchestras are organized in many societies. The society of Ghent has three bands and several choral groups. The United Cooperative Baking Society of Glasgow has bands and a children's chorus of several hundred voices. The Ripley, England, society has recently bought the new Victoria Theater.

In many countries farm houses and country mansions are owned for recreational purposes. The Calderwald castle of the Scottish Wholesale and the fine old mansion house of the Plymouth Society at Whympstone, with its 2,500 acres of grounds, are examples.

Motion picture shows are run by many societies. Co-operative films and dramas are multiplying. Co-operative opera houses and theaters are found in some countries. One of the best theatres in Berlin, the "Volksbuhne," is owned by the consumers, the patrons. The Theater Guild in New York is co-operative except for the voting privilege which is based on stock.

A successful co-operative camp and vacation ground is owned by the United Workers' Co-operative Association in New York. The association owns a beautiful wooded slope of 250 acres overlooking the Hudson River. The houses and tents accommodate over 700 people. The dining hall accommodates 800 guests. During the last summer there were often more than 1000 guests at a time. The costs are much lower than in other summer resorts, but still the association has accumulated a large surplus. Over \$50,000 has been spent within the past year for new buildings, sewer system, and a great recreation hall. The most modern electrical appliances are used. Entertainment of every sort are held. Much attention is given to music. A well known composer has trained a chorus. This society also owns co-operative houses for its members in the city.

The "Elanto" society at Helsingfors owns a wooded island in the harbor which is wholly given over to recreational purposes.

Most co-operative recreational work is carried on by consumers' societies, but there are many special societies for special forms of recreation.

*The Press*

The press is usually owned and controlled in the interests of profit business. It serves those interests. A press owned and controlled by the printers will serve their interests. If the reader would have literature and news that are free from propaganda and bias that are opposed to his interests, then the reader must own and control the press that supplies him. Unless he does this, he may count with certainty upon having his hunger for literature and news exploited for somebody else's sake. The opportunity is too good not to be taken advantage of. It will be used just as surely as the merchant uses it to make profits out of the reader's need of goods, as the banker uses it against his need of credit, and as the tobacco business uses it to stimulate his hunger for cigarettes.

We should not make the mistake to think that a press run by a political government is for the consumers. It will be found carrying on propaganda and biased in the interest of the ruling political faction.

A true cooperative press is that which is owned by the consumers and which represents the consumers—the readers.

Of course, a cooperative press does not guarantee good literature; it only guarantees that such literature as is published shall be controlled by the readers and, presumably in their interest.

Cooperative publications are issued by distributive societies or by societies for the special purpose. In all countries with a well developed cooperative movement there is a cooperative press, publishing a good number of papers and magazines. The "Cooperative Year Book" gives a list of 78 national cooperative periodicals, but in



addition to this are several thousand papers published by local societies. Among these are daily papers, weeklies, monthlies, and books. The Printing Society of German Consumers' Associations (Verlags Gesellschaft) has a printing plant in Hamburg with 700 employees. It uses two tons of paper a day in purely cooperative printing. The Co-operative Printing Society of England does an annual business of \$1,250,000. During the past ten years it has paid back to its shareholder patrons over \$90,000 in savings returns. Much of these businesses is commercial printing.

None of this contradicts the fact that there are many excellent publications, issued for profit or for the satisfaction of editors and publishers, which are, perhaps, superior to anything that the average readers, if organized, would create for themselves.

### *Baking.*

Baking is one of the fundamental needs that is met by the cooperative method. The Belgian cooperative movement began with bakeries. As the Belgians said: "We are bombarding the forts of capitalism with loaves of bread." In most countries the bakery appears early in cooperative development. There are hundreds of European cities, and some American, in which the cooperative bakery is the best equipped, the cleanest, the largest, and produces the best bread at the lowest cost to the consumer.

The largest bread bakery in Great Britain is that of the United Cooperative Baking Society of Glasgow, Scotland.\*

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\*It was organized in 1869, and its first bakery was started with one oven in a little old house on a back street. Now it is a federation of over 200 societies. It has \$2,500,000 share capital, distributes \$8,000,000 worth of bread and cakes a year, and makes

It has 120 ovens, with the most modern machinery. One of its members is the Scottish Wholesale, from which it gets flour; and, since this latter society is a large producer of flour, its access to raw material is very close.

Most of the German societies have bakeries. The bakeries of the societies of Stockholm and Helsingfors are the best in Scandinavia. Some cooperative bakeries in America and Russia are not clean nor inviting; but such are exceptional.

The cooperative bakeries keep down the price of bread and improve its quality. The profit bakeries do not like them; they are called "a menace to the baking business."

### *Milk distribution*

Milk distribution has more recently been taken in hand by cooperative societies. They begin by first learning how to purchase and handle milk. Having gotten their customers they make a contract with the farmers to supply the society with so much milk of a certain quality. In Europe it is mostly distributed in bulk. In the United States, the cooperative societies establish a creamery where the milk is treated, pasteurized, bottled, etc. The Franklin Cooperative Association in Minneapolis is the largest milk business in that city. When it started in 1921, it had a small creamery and eighteen wagons. It began business by paying the farmers a cent a quart more for milk than they had been getting, distributing milk to the consumers at a cent a quart less than they

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a surplus-saving of over \$300,000. It devotes \$7,000 a year to cooperative education, carries \$250,000 worth of goods in stock and has \$1,500,000 reserves. It uses 30,000 tons of flour a year and puts out 800 tons of bread a week.

had been paying, and distributing a better quality of milk—even better than the legal standard demanded. It has prospered.\*

Many societies in Europe now own their own farms and cattle and produce milk for their members. Such societies are found in England, Germany, and Switzerland. The society at Basle distributes more than a half of the milk consumed in that Swiss city.

### *Restaurants*

Restaurants are run by general distributive societies, and also by special restaurant societies. Many large societies have restaurants for their employees. The British Wholesale has a restaurant in Manchester in its office building, which feeds 1,000 people at a time. One can travel from one end of England to the other and eat each meal in a clean and satisfying cooperative restaurant. The Amsterdam Cooperative Kitchen sends out hot meals to the homes of its members and conducts also a restaurant.

Some consumers' societies in the United States have excellent restaurants. The Consumers Cooperative Services in New York, is a growing society which conducts six restaurants, a fancy bakery, and delicatessen stores. It does a business of \$500,000 a year and gives much attention to education. Incidentally, it may be mentioned that the members of this society have organized a cooperative bank ( credit union ), to show the natural tendency of expansion.

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\*Now it has 185 wagons on milk routes and a large new creamery. It makes butter, cheese, and ice cream, and carries on many social and educational activities. The total business is \$3,500,000 a year. It has 437 employees, 6,000 stockholders, and distributes milk to over 50,000 families.



*Laundries*

Laundries are carried on by bakeries, factories, and other cooperative enterprises for their employees. There are special societies for only laundry purposes. Large laundries are also run by general distributive societies. Their number is constantly increasing.

The London Cooperative Society, for example, has two big laundries, each equipped with the best modern apparatus. One laundry has a single machine which irons 3,800 sheets a day. Another machine irons 6,000 collars a day. The laundries of cooperative societies take out of the home the work that the housewife once had to do and perform it as a communal enterprise.

*Transportation*

Transportation is carried on by many cooperative societies by means of motor omnibuses. Some societies own railroad cars for their own produce. The French Wholesale owns two hundred tank cars for carrying wine. The English wholesale once owned two ocean steamboats, but discontinued them. The German wholesale at its factories at Groba has its own tracks and locomotives. Steamboats and ocean going vessels are owned by many societies. Transportation is being slowly developed from small beginnings.\*

Road building is done by cooperative societies in Russia. But none of it approaches in magnitude the trans-

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\*As an example, a single society in England (the Plymouth Society) owns for transportation purposes 215 horses, 140 vans, 7 steam wagons, 35 motor trucks, 100 railroad cars, 17 sight-seeing automobile omnibuses, 7 touring cars, 9 milk trucks, 113 milk wagons, a sailing vessel, motor barges, etc.

portation and highways such as profit business and governments have developed. There are no railroad lines yet owned by the travellers and shippers.

### *Communication*

Communication by post and electricity—that means the mail telegraph, telephone, and radio—it seems, will sooner or later in all countries be run by the government as public services. This may be the best solution of this problem. But if there are objections to political control of utilities, it may be of interest to see what the people can do for themselves without the help of the political State. Already much has been done.

In the United States are more than 300 cooperative telephone societies among the farmers in the Western States. The farmers of a country or district incorporate as a non-profit concern. They put in a little money and buy instruments and wire. Often they put up the posts and wires themselves. Sometimes they use the top wire of barb-wire fences for the purpose. A farmer's house serves for the central station. The wife and daughter attend the switchboard. The service is very cheap and satisfactory. It teaches the farmers how to work together and makes better neighbors of them. These societies are very successful. Their fate often is that the big Bell company works an effective scheme and buys them out after they have proved their success. Then the cooperatives come to an end and the prices go up.

The mails in the United States were once carried by private companies. In Russia, cooperative societies have developed some postal service.

*Power and Light*

Power and light in most countries are developed as private or profit-making business or are run by the government for public service. But during the past few years cooperative societies have gone into this field. Some societies with factories and large industrial plants make their own electricity on a large scale. Some provide electric current for their members' use. In Russia, the Borovich-Valdai Cooperative Society, which covers a large district, has installed electric lights in most of the 400 villages of the district.

Over two hundred cooperative societies in Switzerland supply their members with electricity. They put a turbine wheel into a stream that comes tumbling down from the mountains, connect it with a dynamo, and send electricity into their houses for light, heat, and to run the sewing machines, churns, and grindstones. It seems not to be difficult for the people who use the electricity to make it for themselves.

1922, the French Cooperative Congress passed a resolution calling for the establishment wherever possible of cooperative societies for the supply of electricity, gas and water. Already a number of French societies provide these necessities for their members.

*Fire Protection*

Protection against fire is usually a municipal affair. But it is not beyond private enterprise. The Scottish Cooperative Wholesale Society, at its factories in Shieldhall, has a fire department which would do credit to any city. Often its engines and apparatus go to the service of the city of Glasgow when the city's apparatus cannot put



out a fire. The Cooperative Society of Basle, Switzerland owns many buildings and has its own fire department. This is so good that the reduction in fire insurance costs on the buildings is nearly enough to pay for the support of the fire department. There are many other cooperative examples of this sort.

### *Health Protection*

Health protection, if it is to be of much use, has to be for everybody. Diseases are contagious—and so is health. To wait until somebody is sick and then send for a doctor, who is competing with the other doctors in caring for the sick, is a poor way to protect health.

No disease is wholly a medical affair. Poverty, for example, is more deadly than germs. As a matter of fact poverty is the great disease. Health can be bought, if one has the money. Poverty is the stuff out of which thieves, strike-breakers, bums, and sick people are most easily made. Give people means to get the things they need and their mental and physical health is better.

The health of the families of the Rochdale Pioneers improved as their society succeeded. Many a cooperative society has been started because the people were aware that they were suffering from the adulterated foods the tradesmen were selling.

The Swiss Union has country estates which are used as convalescent resorts. The British cooperative societies buy farms and fine estates and use the houses for sanitariums. The English Wholesale Society, at its coal mines at Shilbottle, Northumberland, has house for aged miners where they may live free of rent and taxes. The society of Ghent, Belgium, has similar homes for its aged members. The Hamburg Cooperative Society "Produktion"

has an estate with a convalescent home for children on the shore of the Baltic Sea, which cost \$250,000, and which accommodates over 1,000 children a year for a period of four weeks each. The societies of Berlin, Helsingfors, and of many other large cities have similar places of recreation.

The cooperative societies of many countries provide food for the members and pure milk for babies, give the members good homes at cost, send children on vacations to the country, furnish a six week's vacation for mothers before the baby is born, and give sick benefits and unemployment pensions to workers, free of extra charge. All of these things are for the protection of the health of the members, and are, perhaps, more important than medical treatment.

There are also all sorts of medical services furnished by cooperative societies. A good example is the society of The Hague, in Holland. It is a workingmen's distributive society with a department for insurance against sickness and death. This medical department has about 50,000 members who pay from one to seven dollars a year for service. This is of a high class. More than thirty doctors are employed. These include specialists in the various departments of medicine. The society has a well-equipped clinic with laboratories and departments for every kind of examination and treatment. Three large drug stores supply medicines. A member who is sick receives medical and nursing care, free food from the stores, money in place of the wages he loses, and in case of death burial is provided and the family is paid life insurance.

Many cities have such societies. The results are good. The health of the members is improved. Sickness in

most families is very expensive. Usually the doctor is not sent for till the patient is very ill. That is often too late. In these cooperative societies the members may consult the doctor at any time. They may go for examinations or advice whenever they wish before they become ill. The cost is no more. The doctors are employed to keep the people well. This is the scientific method. It seems to be good also for the doctors. Instead of competing in the market of the sick against one another for patients, the doctors in these societies are paid a fixed salary. For this all that is expected of them is to do whatever is best for the health of the members.

In Minneapolis is a cooperative society which uses some of its surplus-savings to conduct a children's clinic where free advice is given to mothers for the better care of their children. Some societies use a part of this surplus for medical care of the employees.

In India cooperative societies are organized for the extermination of mosquitoes. They dig ditches and drain swamps and do other things necessary to protect the members against the diseases carried by insects.

### *Courts of Justice*

Courts of justice are supposed to be necessary government functions. But they can be carried on by the people without any help from the political system. Many societies have a "grievance committee" to hear disputes between members and the society. One American society has a "trial committee." This idea of a nonpolitical court is not new. In China, for thousands of years, most disputes have been settled out of court by arbitration. Ireland had courts, in 1921, which had no



connection with the British Government. The State of New York has a "lay court" which conducts all sorts of civil cases. There are no judges nor lawyers. The two parties to the case choose their referee. Each party conducts his own case and tells his own story. The Arbitration Society of America is promoting these non-political courts.

The people of India, in revolt against the British Government, have developed such non-political courts. These are juridical cooperative societies for the settlement of disputes by arbitration. They are steadily increasing in number. A committee hears and acts upon disputes. They have the power to call witnesses, administer oaths, require the production of documents, and issue orders, regarding the payment of costs. In whole districts in India these court societies are federated to form a union which conducts a higher court of appeals, called the Provincial Court of Arbitration.

The results of these courts are reported to be highly satisfactory. The real power behind them is the public opinion in the villages. The people respect the courts so highly that a man does not want to disobey their decisions and get the bad opinion of the public.

It would seem possible for the cooperative movement to go on organizing independent courts. In a community or state, where most of the people are in the cooperative societies, they may have their own courts for all purposes.

### *Ideas*

Ideas can be collected and distributed cooperatively as well as material and services. In the Teachers' College, Columbia University, is the headquarters of the

Industrial Arts Cooperative Society, formed to supply ideas for teachers. New suggestions for presenting and making interesting every subject that is taught to children are collected, cataloged and made accessible for the members who need them in their teaching work. This society now has a membership scattered pretty much over the whole country.

### AS A BUSINESS METHOD

Cooperation is a simple business method. It is business with the profit taken out. That leaves service as the reason for carrying on the business. Profit-making makes business at least more complicated, if not more difficult. Cooperation enlarges the ownership of business to include the patrons. An ordinary profit corporation is owned by some stockholders—let us say, a shoe factory. The shoes are sold to other people for more than they cost and the stockholders get the profit. If now the stock should all be owned by the people who use the shoes; if the profits were given back to these stockholders in proportion to the money they spent for shoes, and not in proportion to the money they had invested in stock; if not more than a regular low-rate of interest were paid for capital which the members had put into the business; if each member had one vote only, no matter how much stock he held; and if democratic control of the business were in the hands of the stockholders—then the corporation would be a cooperative society. Cooperative societies have sometimes developed in this way from profit corporations. Big public utility corporations, especially electric power and light companies, are striving for what they call “customer ownership.” *The Wall Street Journal* estimates that the customers will furnish more than one-third of the capital

necessary to supply the eight billion dollars for public utility expansion in the United States during the next ten years. Many economists now advocate the expansion of consumer ownership as a means to cheapen public necessities and to eliminate the manipulations by politics. It may be possible that the present enlarging distribution of stock-ownership of corporations in the United States might move in this direction. It might create a corporation that has as many stockholders as it has patrons, each class being composed of the members of the other.

If seven hundred people organize a cooperative society and each puts in \$10, they have a capital of \$7,000. If they run a store and do a business exclusively among themselves of \$140,000 during the year, and charge current retail prices, they will have a net surplus-saving at the end of the year of say \$5,500. This presupposes good management and other things necessary for success. Now what return have they made on the money they invested? In terms of profits, it would be \$5,500 on \$7,000 or 80 per cent. That is the profit advantage of their business. The savings-return paid on the total turnover, that is \$5,500 paid on \$140,000, would be only about 4 per cent. But the saving that they actually made, calculated on the money they had invested in the business, would be twenty times that. The average purchase of each member at the store was \$200 for the year. He received back in cash \$8. He has invested \$10. That is 80 per cent. return.

These figures are a fair average for cooperative societies. They are taken from actual experience. They show the possibilities of this sort of business from the financial standpoint. If each stockholder spent on an average \$1,000 a year, that would mean that he spent \$800 outside of the store. If his cooperative society took care of



all of his needs then he would have spent \$1,000 with the society, and his savings-return would have been \$40 for the year or 400 per cent on his investment of \$10.

People who are putting their money together and running successful cooperative societies are getting the advantage of these large returns on their investment. It is not income by saving; it is income by spending. The more they spend, the more they save. The average income that the capitalist receives on his investment is around 4 or 5 per cent. In Great Britain among the 1,300 societies connected with The Cooperative Union, during the hard times now prevalent, it is only 30 per cent. But still this is six or eight times better than the British capitalist gets.

The yearly wages paid British workers is £2,000,000,000. The total trade of the cooperative societies is only one-tenth of that sum. That means profit business gets nine-tenths of the workers' wages. If all of these wages were spent in the cooperative societies, the picture would be very different. Theoretically, by so doing, the workers would lift themselves into the position of the capitalists by the sheer amount of their saving.

The working people in the United States have some \$15,000,000,000 lying in the banks drawing less than 4 per cent. interest. This money, invested in successful cooperative societies, would constitute a revolution greater than that which any country has ever seen.

It is interesting that cooperative societies are sometimes started without capital. Service societies often need little. A Pennsylvania society was started with a bag of corn meal. In some instances the members have given their labor and created the necessary capital by their own united efforts. They have thus put up buildings and

equipped them without money. The £28 with which the British Movement began was, indeed, small capital when we realize that it has now grown to an investment of £90,000,000.

It would seem that the people can acquire the industries for their own service if they organize to do so. It is not done by the big purchase of industries, nor by having the State confiscate them. Possession can be had by getting it in the same way that the present owners got it. They began in a small way, made profits, and with the profits they bought more property. This went on slowly until the present great capitalistic ownership has been developed.

Cooperative ownership comes as the people begin, in a small way, to stop paying profits to capitalist business and to turn those profits to their own account. As soon as they begin collecting a surplus-saving in this way, it can be made to grow. The capitalist world is built upon profits. The Cooperative Society may be built upon savings.

## **CHAPTER IV**

### **SOCIAL AND POLITICAL ASPECTS OF COOPERATION**

#### **THE CONSUMER AND SOCIETY**

**COOPERATION** is not a class movement; it is based on the interest of all of the people. It does not recognize classes nor set one class against another. It does not condemn profit business. It seems the value of the current methods of exchange, accounting, and business administration, which have been worked out by long experience, and then it proceeds to use them in the service of the consumers.

The social possibilities of cooperation may be seen in communities where most of the useful services are performed through the cooperative societies. Such communities exist in many countries. A glance at one in Czechoslovakia may be instructive. The village of Prikazy has 350 families, each of which is a member of the cooperative society. These people are mostly farmers. Each family has about thirty acres of land. Here is practically no profit business directly supplying the wants of the people. The society has a fine central building which cost \$180,000. In it is housed the cooperative credit society. This is also the local savings bank. In the same building is the cooperative restaurant where the villager and his family can get a good meal at actual cost price, if the wife should for any reason be unable to do the cooking, or if she wishes to be released from that function.



This central building contains also a gymnasium. There is a plentiful supply of hot and cold water for baths for the use of the members. The society has also an up-to-date flour mill and a chicory factory. A malt kiln produces barley, used for food and for making light beer. The cooperative bakery saves the housewife the work of bread-making. In addition to the main organization are several special societies. Among these a cooperative bull society owns high-class sires for the use of the farmers in cattle breeding. The members of the central society have invested over \$350,000 in their various enterprises. This society was started over sixty years ago by a single individual with enthusiasm and practical business ability. The two leading personalities today are the village schoolmaster and the priest. It is around this society that most of the village life revolves. Here is a community organized as consumers simply for the purpose of getting better access to the things they need and for protecting their interest in the enjoyment of the things they use.

The organization of the consumers in their own interest is of large social importance. Consumers are not a class; they are everybody. They are not seeking class advantages but rather the total good of society, for they are society. The organized capitalists, on the one hand, and the organized workers, on the other, seek their own class advantage even though it be at the expense of the public.

Organization of consumers has possibilities of endurance just because it is not a class movement. If the people of Europe and America should decide not to eat meat but to live on a vegetable diet, as most of the other people in the world now do, the beef trust and the organized workers in the meat industry would be orga-

nized in vain. When the people get their heat and power from some other source besides coal, the unions of coal miners will go to pieces. But the organization of the consumers is permanent and fundamental. The consumers in the end decide what will be used and what use will be made of the face of the earth.

In the cooperative society the owners are the consumers and the industry is carried on wholly for them. Their money started it and any advantage coming from the industry is theirs. Customers who own a business want it to succeed. It is the customers who take the pride in the cooperative enterprise. The proprietor and the customers are the same. This method should make business more simple. It is not business for profit but simply distribution, production, or other activity for the purpose of service.

On the other hand, in the private profit store, the owners are not the customers. There are two parties concerned. One is against the other. Each hopes to get a little the better of the other. Pride and concern for the business is not for the customers, but only for the owner.

The consumers are everybody. Almost everything that is produced, is produced to be consumed. Justice is, perhaps, most possible in that society in which each person is a producer and a consumer to an equal degree. He who produces more than he consumes is robbed of something. He who consumes more than he produces steals from somebody.

### LABOR

One aim of cooperation is to abolish exploitation and parasitism, to harmonize capital and labor. The perfor-

mance of service may be harmonized with the consumption of things. The ideal of the Cooperative Society is that the craftsman is employed by the society to do the best work he can, to make the best thing he can. In turn, he is guaranteed a salary. The things he makes are not sold in the market for profit. They belong to the society for which he works, and of which he is a member. The member, who uses the things he makes, pays for them at cost. The worker is paid for all of the value that he creates, less what is held out for the common social services in which he shares.

At the present time cooperation is a long way from these ideals. Not all of the members are employed by cooperative societies. But it is moving in that direction. The British cooperative societies have 204,366 employees. This is 4.16 per cent, of the membership. Of these, 94,000 are employed in production and 110,000 are employed in distribution. German societies in the national union have 45,000 employees. The societies in the Swiss union have 8,000 employees. The 100,000 cooperative societies connected with the International Cooperative Alliance have over 1,000,000 employees. The wages and working conditions among these workers average better than in similar profit-making industries. The pay of directors, superintendents, managers and higher officials averages lower than in profit business. The pay in the less skilled trades of labor is higher.

Trade unionism is close to cooperation. Each helps the other. When the workers got the right to organize, they soon made an important discovery. They found that the employer did not pay any increase of wages. As we have already seen, when the workers demanded and got better wages, the employer added the increased



expense of production to the cost of the article and passed it on to the consumers. When the working people, in the early part of the nineteenth century, woke up to this fact, the modern cooperative movement was born.

Trade unionism is incomplete without an organization at the point of consumption to supplement the organization at the point of production. Trade unionism was established to get for the worker the best wages for his labor and the cooperative movement was established to get for the worker the best returns for the money that he spends. The first gives the worker more means with which to purchase; the second gives him more purchasing power with his means.

Although cooperation is not a class movement, its sympathies, as a whole, are with labor. Every cooperative country is piling up instances in which the consumers' cooperatives have come to the assistance of labor in times of unemployment, lock-out, and strike. There will always be a conflict of interests at some point between producers and consumers. But the consumers' cooperative movement is perhaps the ground upon which these difficulties are being best worked out. The cooperative employee becomes a member of the society which employs him. He knows that he has a vote in making the conditions under which he shall work. He knows that there is nobody who has any more voice than he. It is the practice among cooperative societies to employ only organized labor. Many societies compel their workers to join the trade union of their craft.

On the other hand, the trade unionists by becoming members of consumers' cooperative societies secure a voice in saying what shall be the conditions under which labor in their societies shall work. With a majority of

wage earners in each society, as is usually the case, the balance of power is in the hands of labor. The trade unionists, as members in control of cooperative societies, may be looked to bring about a reconciliation of the interests of producers and consumers. This is impossible in both capitalistic and profit-sharing producers' industries.

The workers in consumers' cooperative societies may look toward the time when the majority of consumers will be employed in these consumers' industries. When that time comes the majority of organized consumers will be organized working people. In the end, the good of the consumers, as the more important, must come first.

Industry must be controlled by somebody. If the workers control it, it is carried on for profit. If the consumers control it, it is carried on for service. For this reason, in the cooperative society, the consumer members, as employers, control the labor that they employ.

Cooperative societies usually give employees a large say in the running of the industry, but they do not want employees, as employees, to have the controlling majority. This would destroy cooperation. As members the workers may control; but not as employees. Employees may take too much.

Cooperative societies have the most efficient machinery for arbitrating and settling differences and disputes between employer and employee to be found in industry. And there are better understanding and fewer disputes than in profit business or in State employment. England is about the only country that has strikes among cooperative employees. In other countries the workers have

so good an understanding of cooperation that they know that cooperative societies can not pay labor much more than labor in the competing profit industries is paid. In England, however, the old idea of workers' control of industry still exists. The workers do not realize that workers' control is impractical and cannot be had, and if it could, it would not change the nature of industry but leave it still capitalistic and possessed of the characteristics of profit-making and exploitation of the consumers. It is an unhappy fact that in England the trade unions urge cooperative employees to strike against their societies and to ask for higher wages than competing profit business pays.

Everywhere cooperative societies are seen taking the lead in giving better conditions to labor. "Speeding up" is not much found in cooperative industries. In Great Britain it was the cooperative stores that were first to have the one-half holiday a week for employees. The eight hour day for women was introduced in the Crumpsall biscuit factory of the English C.W.S. twenty years before it became a law. Cooperators have taken the lead in abolishing night work, in shortening working hours, in providing vacations, and in improving the sanitation of shops. They took the lead in doing these things before they were required by law. Continuous employment is usually found in cooperative industries. Unemployment is prevented by the more sympathetic attitude toward employees.

Although cooperators have done much to keep down prices for working people they have at the same time done much to raise wages and improve working conditions.

Cooperators usually urge the consumers to buy good goods. Union made products are insisted upon as far as possible.



There are four conditions which labor pretty generally enjoys in cooperative industries:

- (1) Absolute trade union conditions and all the rights of joint bargaining that go with them.
- (2) Self-government in their industry as far as pertains to the relations of the workers among themselves.
- (3) Conditions and wages as good and better, if possible, than prevail in similar profit industries.
- (4) As members of the cooperative society, equal rights with the other consumers in the administration of the society which employs them and in the determination of the conditions under which they shall work.

When more than half of the consumer members are employed in cooperative industry, then the voice of the workers becomes the majority voice; thus, by evolution, what begins as consumers' control moves slowly on until it becomes workers' control in the interest of themselves as consumers.

There is still more to be done for employees. Entertainment, education, insurance, better food, better housing, and health protection are all needed. Cooperation is found undertaking all of these. It is possible that they can be expanded until the workers get all of the best circumstances of life.

Organized labor and cooperation have helped one another from the beginning. In every land are the multitude of examples of assistance which cooperative societies have given to the workers in times of need. The van loads of food sent to Belgian strikers, the eighteen shiploads of food sent by the English C.W.S. to the striking Irish dock workers, the \$350,000 cash furnished by the same society to

the Northumberland coal miners, loans to the striking cotton workers of Lancashire, the aid given to the Railway-men when the banks refused to let them draw out their money, and the assistance which a score of cooperative societies in Illinois have given striking coal miners are but a few examples of the sympathy which exists between these two forms of organization.

### HOME AND FAMILY

Other schemes for the improvement of the condition of the masses have been addressed to the people as workers. They have attempted to organize the workers at the places of production. To get better wages, to get shorter hours, to get control of shops, have been the purpose. The improvement of mankind was to be effected by improving conditions in the places where profits and wages are made. The factory, mine, and field were to be made to yield better returns. The man was to improve his condition as a worker. In the cooperative society the matter is approached from the other end. The man is organized, not as a worker but as a consumer. Not the factory, but the home and the family are the chief object of concern. Cooperative organization begins with the people as consumers and is concerned for the individual as an absorber and user of the things that have been produced. Its concern is for the human being in the use and enjoyment of things.

By beginning with the consumers, no class distinctions are made. Cooperation is concerned for all women as well as for all men. In the family it begins with that existing organization in which the man and the woman are nearest to equal, and in which the children are the objects of special consideration. Cooperation organizes the man,

not as worker or voter, but as consumer, homebuilder, and family maker—as neighbor, husband, and father—hungry for the good things of life. It shows him how to unite with his neighbors to get not more money, but more life. This is the theory, and it can be seen in actual practice in the successful cooperative societies.

### EDUCATION

At the present time in England there is much discussion among the women of the cooperative societies as to the price of butter. Women get up in the meetings of their societies and ask why the price of butter is higher in their cooperative store than in the private shop. This means that the store manager or the directors must explain. May be the butter is better; may be the weight is different; may be the members will get back the excess cost in the form of cash dividend at the end of the quarter. There has to be a reason and an explanation. This is going on all over the world wherever there are cooperative societies. The people, organized as consumers, own and control the business, and they take a hand in its affairs. They can vote at any meeting to reduce the price of butter to any figure they wish. If they lose money, the loss is theirs. Naturally they want their business to succeed, and so they are careful. But the important fact is that they have a voice, and they are learning business and economic policy all the time. They discuss their affairs in meetings, in the store, and in their homes, and thus get understanding.

Where people buy their commodities from profit business, the private trader fixes the price, and the consumer has nothing to say. He may take it or leave it. He is an outsider. The private trader is the one who is



getting the education and training in the economics of distribution, and his interest in the consumer is to make as much money out of him as possible.

In the cooperative movement people are training themselves to control and administer their economic affairs in the interest of their own service. For this reason education plays an important part. It is desirable not only for the members to be intelligent and informed in matters of cooperative business, but executives and employees in all departments have to be trained.

Education is vital to the cooperative movement. The ideal is that each country shall have a central cooperative educational institution, and each district and local society some form of educational organization. There is a movement for societies to have such educational committees. Cooperative leaders would have this every where observed, but as a matter of fact only a small proportion of the societies in any country do much at all in the line of education. The minority, or the better societies, carry on educational work. Some, such as the royal Arsenal Society of London, have a full time salaried educational secretary. Education is carried on by literature, lectures, discussion meetings, and classes. The history, principles, and methods of cooperation are taught. In addition to this, non-members are reached by literature, meetings and personal contacts. The loyalty of the members depends much upon this educational work. Classes also are held for the training of employees and executives. Among national organizations the German Central Union has a well-organized school for managers. This school gives regular courses in the theory and history of cooperation, bookkeeping and accounting, chemistry, nutrition, buying, the care of goods, and problems of administration.

The national unions in other countries conduct similar schools.

The Swedish Cooperative Union has an excellent school on a delightful estate in the suburbs of Stockholm.

The British Union has a large educational department with several salaried secretaries and teachers. In 1924 it opened the Cooperative College, with dormitory and dining room. The college now has twenty-five full-time students. The union conducts also classes for children and adults, guilds, circles, and several summer schools. In addition to many pamphlets and books the Educational Department publishes a magazine, *The Cooperative Educator*.

The national unions in most countries are essentially educational organizations. The Cooperative League of the United States publishes literature, shows societies how to organize educational committees, and conducts training classes. It prepares study courses in cooperation which are used in schools and colleges. It sends out lecturers to colleges and special meetings and prepares articles for publication in magazines and papers.

The International Summer School is conducted in connection with the International Cooperative Alliance. In 1926 it registered over seventy students from fifteen countries for its courses given at Manchester, England. In 1927 its school was held in Sweden.

### SCIENCE AND ART

Science is made use of in many fields by cooperative societies.

The British Wholesale Society has a Research Department with more than fifty research experts at work. Many societies have chemical laboratories where original

research is carried on. The Hamburg Society has a chemical laboratory in which some valuable discoveries for the manufacture of foods have been made.

Art is coming to have a large place in cooperation. When the Cooperative Society of Ghent used its surplus savings to employ Van Biesbroeck, the great Flemish artist, and instructed him to make beautiful things, it did an important service for art. This society now has many paintings and statues, which show the upward struggle of the masses, and which have been proclaimed as masterpieces.

For dignity and elegance the central building of the Berlin Cooperative Society and the office building of the German Wholesale in Hamburg are noteworthy. The shoe factory of the Swiss Cooperative Union in Basle, its warehouse in Pratteln, and the creamery of the Basle Society look like university buildings. The finest business buildings in Glasgow are those of the Scottish Cooperative Wholesale. The soap factories and the cigar factories of the German Wholesale are models of architectural dignity. It is hard to find a more impressive and artistic retail store building than that of the Society of Zurich, Switzerland. The most artistic small stores are those of the societies of Stockholm, Sweden; and Bremerhafen, Germany.

Of course cooperative societies cannot give attention to matters of art and beauty until they have proved their ability to make a financial success of the business they are running. But when they have proved their ability, it is gratifying to see that they show an interest in art and beauty as one of the next steps.

Profit business, it may be said, creates beautiful things when it pays to do so. Cooperative societies are found



expressing the same hunger for beauty which is possessed by the individual members. A tendency is to be seen in cooperative societies to erect good looking buildings and to create beauty. The flower boxes that lend charm to cooperative houses, while they are absent from municipal houses, bear testimony to the fact. The store of the cooperative society in hundreds of towns is by far the best looking store in the town. This is because the members wish to express in their own business the service also that beauty can render.

The cooperative societies of Stockholm, Hamburg, and Berlin, with buildings that express beauty, are showing that the cooperative movement is thinking of art not as a thing apart, nor as a thing out of which to make profits, but as something to be used and enjoyed every day by the thousands of members to enrich their daily lives.

### INTERNATIONAL RELATIONS

Internationalism, meaning sympathetic understanding and friendship between the peoples of different nations, seems to be helped by cooperation. This is seen in the congresses of the International Alliance. These congresses, before and after the great war, passed resolutions against war and favorable to peace. These are more than matters of sentiment, for during the war there were many instances of substantial help given to the cooperative societies of one country by those of another; and often assistances between countries which were at war with one another. Gifts and loans of money amounted to millions of dollars.

*The International Cooperative Bulletin* continued to be published in English, German, and French without interruption during the war, and contained articles by co-operators in all of the leading warring countries.

The Cooperative Congress at Basle in 1921, was the first international congress of any kind that brought together in friendship delegates representing all of the countries that had taken part in the war.

The International Cooperative Alliance, founded in 1895, has as one of its objects the promotion of international friendship. It is a federation of 101 national cooperative unions, composed of 100,000 societies, in 36 countries. The total membership of these societies amounts to 50,000,000. Its congresses consist of five hundred delegates elected by these societies. Its central executive office, in London, is constantly in communication with its member organizations, and its various committees and executive bodies frequently meet.

The Alliance collects statistics, carries on education and propaganda, gives information, encourages trade relations between the societies of different countries, and gives advice and assistance. It has held international congresses since 1805. The congress of 1927 was at Stockholm.

It has in process of organization the International Cooperative Wholesale Society, also a similar international society for banking and another for insurance. These three international organizations are slowly being formed from a union of the national societies. Already international wholesale combinations are in effective operation. Their vessels are sailing the seas laden with millions of dollars' worth of goods.

The English and the Scotch wholesale societies have united and own much in common. The Norwegian, Swedish, and Danish wholesales have a federation called the Nordisk Andelsforbund. These are international whole sale societies. The Russian wholesale supplies the English wholesale with over \$3,000,000 worth of goods

yearly. The English wholesale exchanges goods with the cooperative wholesales in a score of countries. The German wholesale does trade with the cooperative societies in ten countries of several million dollars yearly.

This represents friendly exchange between societies in different countries. The vessels carrying these goods are the beginnings of a truly peace-making international exchange. It asks for no tariff restrictions and discriminations, no armies or navies to promote its commerce. It is not seeking markets to exploit in the interest of profit. It creates no international hostilities. It is purely a commerce of good-will and service.

The International Cooperative Alliance is a non-political league of nations. It is steadily expanding in its functions. It is truly devoted to peace and justice. It has no need of secret sessions, diplomats, imperialism, mandates, armies of occupation, protectorates, and other war-promoting mechanisms which characterize the political organization.

### COOPERATION AND THE STATE

I once had a call from the president of a Swiss cooperative society. He told me that his society had more members than there were households in the town. Most of the people belonged to the society. The society had the stores, the bakery, the meeting hall of the town, the motion picture theater, the coal and wood yard; the people did their banking through the society; and it insured their lives. The economic and social life of this community apparently revolved largely around the cooperative society. Then the information came out incidentally that this man was also the mayor of the town. I asked him which position he regarded as the more impor-



tant, that of president of the cooperative society or mayor of the town. He thoughtfully replied that he had almost forgotten that he was mayor. He then explained that when the people wanted to do anything as a community, it was done through the cooperative society and not through the political agencies. It was the cooperative society that provided the meeting hall for the town, organized the May-day festivities, prepared the celebration for the holidays, and took the measures for beautifying the town. For these people the government had little existence.

In this connection there comes to mind the recollection of a town in England which I had visited a few years before. Here was the same proportionately large membership of the cooperative society. The political government played but a minor part in this community. For example: when a monument was to be erected in memory of the soldiers who died in the war, the proposal came from the cooperative society, the meetings to discuss the project were held in the society's hall, the sculptor was employed, the land for the monument was donated, and the funds were supplied by the society. Had it not been for the existence of this society this sort of enterprise would have been carried out by the political organization of the citizens acting through their town council.

There are many similar communities on the face of the earth in which the organization of the people into their voluntary cooperative societies takes the place of the political government.

In Germany a strange thing is coming to pass: towns and cities, as political organizations, are voting to join the local cooperative society. Already more than a hundred municipalities have done this. The advantage

is that the town gets its supplies—food for hospitals, milk, coal, etc.—from the cooperative society. The town funds may also be banked with the society.

In Austria, the city of Vienna has entered into a partnership with the Vienna Cooperative Society and formed the largest business in Austria for the supply of coal and wood.

What is the political state? How does it constitute an organization of the citizens which is different from other organizations? How does it differ from a cooperative society?

When we look into history we see that the State was created by the dominant forces in society to protect themselves from the rest of the people. It was created by a minority element to protect themselves from the majority. This has always required force. There is no State without repressive laws, penalties, police, soldiers, and jails. We find that states and governments started as movements of a privileged class—nobles, lords, and kings—to have their privileges legalized and made secure. The State has always been more concerned for property than for people.

The dominant voice in the control of the state is not the people, but those who control the property. That means the owners of the property and those who control the industries and the credit. There is a superstition that in a State, where the people have the franchise, they may make the State do what the majority of the people want it to do. But as a matter of fact, the property-owning minority are the dominant influence in the schools, the press, the courts, the police power, and in the fields where the masses earn their living; and this minority power sees to it that the thinking, the willing, and even

the voting of the majority are not free. When the mill owner places a little notice on the door—"If Mr. Bryan is elected it will be necessary to reduce wages in this mill 10 per cent. on the first of December"—the workers do not vote for Mr. Bryan. There are a thousand influences at play in the economic field by which the controlling minority dictates to the majority in the political field.

Generation after generation of thought control and patriotism compel the approval of things as they are. Moreover, the people are not free to act through the State and make it do as they want because they are not capable of acting together politically in their own interest. They do not know how to move together to operate the complex political machine to make it serve them. They are not trained. They have not had the experience. It is beyond their grasp. And all because it was never intended to be within their grasp. The servants in industry are not to be expected to be the masters in government. The people who go to somebody else asking for jobs and who take their orders in industry from somebody else do not become the masters in politics. The bosses in one field are the bosses in the other. There is no political equality without economic equality.

An approach to democracy is seen in communities, villages, and small countries where there are no great industries or no conspicuously wealthy class, and where the property ownership and control are evenly distributed. These conditions are seen in many North European communities. It would seem that the only approach to political democracy is economic democracy. Where the people know one another as neighbors, where they have equal standing in the economic field, where their commerce is not controlled by a minority but is in the hands



of all—there is economic democracy, and there political democracy may be possible.

There is much talk of reforming the State—"political reform," it is called. But so long as inequalities and injustices exist where people earn their living and spend their wages the State can be expected to promote inequalities and injustices.

For a thousand years the State has been growing more powerful and more dominant. The time was when people lived their lives wholly in the economic field. Then the rise of stateism began. People were taught that their first duty was to the State. People were once neighbors and felt the responsibilities of neighborliness. Then came the State and taught that patriotism was enough. A centralized power was created toward which people were taught to look for help, and to which they were taught allegiance. "The first duty of the citizen is to the State" is written in constitutions. Once people did things for themselves, now the State does things for them.

As we have seen, Stateism is coming very fast. And the public mind is becoming adjusted to it. The State is going into every imaginable business. When profit business fails to perform some necessary service to the satisfaction of the public, the demand springs up that the government shall take it over. When profit business breaks down, the government comes in. Now a clever scheme is to be observed; when an undertaking fails to pay dividends the stockholders sell it to the government at a price satisfactory to themselves. In Europe, cities and nations are large stockholders in profit-making corporations. The dream of the socialists is coming true; governments are going into business.

In the mean time, as government takes on more functions it becomes more complicated. Now, in many places, it is so complex and bureaucratic that it is quite beyond the average citizen. It ceases to be responsive to the public will. The citizen feels helpless. In the United States he abstains from voting, having grown conscious of the futility of the political franchise.

Nevertheless, when social things go wrong the great mass of people turn to the State to set them right. When capitalistic business does not provide adequate housing for the people, when the milk contains too much water or too many bacteria or too little fat, when the farmers cannot get credit to finance their planting, when foods are adulterated, when shoddy is sold for wool—when things get unbearably bad, the people ask the government to subsidize building contractors or to put up houses, to pass laws and appoint inspectors, to lend money to the producers, to establish punishments for adulteration and misbranding, and always to create more courts and build more jails to take care of the offenders. And yet people in cooperative societies in many parts of the world are performing for themselves all of these services, and requiring no laws, inspectors, courts, nor jails. Where people do things for themselves they neither practice fraud upon themselves nor require punishment of themselves.

The State of New York has recently had a milk scandal. Milk companies have been selling adulterated milk, dirty milk, and the milk from diseased cows. Milk inspectors have been found taking bribes. Inspectors have been employed to inspect the inspectors. These also have proved not to be beyond the persuasion of money. Now inspectors of the inspectors of the inspectors are contemplated. There is no end. Even the powerful State

cannot protect the people from profit business.

The Basle, Switzerland, Cooperative Consumers' Society, supplies its members with milk. That means more than half of the population of that beautiful city on the Rhine. The society owns wagons for distribution. It has its own creamery for pasteurization and bottling. It owns cattle. These cows graze on the meadows owned by the society. No government is needed to make laws, to appoint inspectors, to maintain courts, to support prisons, and do things necessary to protect the consumers from the handlers and producers, because they are one and the same. There is no motive for people to produce bad milk for themselves or to distribute bad milk to themselves. People do not want to cheat themselves; but they are always willing to cheat the other fellow.

We see that the State is an instrument to prevent profit business from taking advantage of the people, and also that it is an instrument to help profit business do just that thing. It is in favor of "nice" business that does not cause the people to cry out too loudly. When the squealing point is reached, the State steps in and stops the noise. On the other hand, the cooperative societies get along without these complications; they simply attend to their own business, which is the people's business.

### PRIVATE PROPERTY

Along with the growth of stateism goes the movement for the State ownership of property. There are those who advocate that the individual should not own private property—except the intimate personal things. The movement for the elimination of private property is making much headway. Many people are in favor of it.



Still, it is natural for people to want property. In fact it is hard to see how this natural desire can be overcome. Perhaps, the desire for property is good and salutary. Possibly, the objections offered against private property are not against private property at all, but only against the bad use of private property. It is difficult to see how letting the State own the property will solve the problem for the people.

Surely the personal ownership of property makes a man frugal and thoughtful of the future. Property helps the individual to keep control of his life.

It is said that, if the State owned everything, then people would not have to worry about the future; the State would guarantee to take care of them; and thriftiness on the part of the individual would no longer be necessary. Then so much the worse for the individual, I should say.

The private ownership of property is an inherent quality of the cooperative movement. But it is concerned for the social use and administration of the property. In a cooperative society the members put their property together in order to administer it to a better advantage than each could do separately. It never ceases to be private property. The member can prove this at any time by drawing out his property from the cooperative society and again having it wholly in his own hands. The member remains an individual with private property. Neither he nor his property is swallowed up as in the State.

The socialist State in Russia attempted to forcibly abolish not only private ownership of property but it attempted also to abolish profit business and to make it illegal. The theory of socialism is that it would abolish private property.

On the other hand, cooperation has no such purpose. The tendency and the theory of cooperation is slowly to take the place of profit business. It would do that by the gradual process of evolution. This process can be seen going on in many communities. In some, profit business has practically disappeared.

But here is a noteworthy fact. The cooperative movement does not demand the sudden abolition of profit business. All that the cooperative society asks is that there shall be no discrimination against it. It does not ask for advantage. In all parts of the world these societies are seen going on and building themselves up by the natural methods of competition. If the cooperative society performs services, or supplies commodities, better than profit business, then the society grows. If it can not do the thing as well as profit business, then it fails or quits the field.

The socialistic State would abolish capitalism and thus deprive itself of the challenge and the competition of another kind of business. This leads to complacency and mediocrity. Cooperators know that capitalistic business will spring up and compete with their society if the society grows lax in service or efficiency. As consumers they desire this for their own protection. They will be found patronizing profit business wherever it gives them better values than their society.

All this applies to the socialized State as well as to profit business. In England, for example, societies are shot full of the psychology of socialism and stateism to the exclusion of pure cooperation. One cooperative society turns over its library to the public library of the town, because it regards the political organization as more competent to run a library. In some towns the

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cooperators have advocated that the political municipality shall take over the milk distribution. Still most cooperative societies are developing their own libraries in preference to the town library, and most societies prefer that they themselves should distribute milk. These instances are cited to show the variety and free play of competition that goes on in cooperation and also the influence of socialistic thought that creeps in.

### COOPERATION DIFFERS FROM THE STATE

It never will come to pass that all the people will be organized into the cooperative societies and all business will be done cooperatively; and it is not desirable that it should.

The political State embraces all of the citizens by compulsion; cooperation is voluntary. Let an individual say that he will be a citizen of the State no longer; he will find that if he gives up his citizenship in one State another will get him. It will compel him to be its citizen, even against his will. And it will make him do things that he is opposed to doing.

A cooperative society on the other hand is non-political, and free. One joins a society of his own free will; if he does not like it he resigns and takes out his property. A member may criticise his society; criticism is not sedition. He may even conspire to destroy it; it is not treason.

The worst penalty that can be inflicted upon him is that he be dismissed. If his action is in the interest of the majority of the members, even though he would destroy the society, he will not be dismissed, for the good of the members is greater than the good of the society some times.



A cooperative society has not statute laws handed down from antiquity to govern the citizens. It has by-laws or rules upon which the members have mutually agreed. They are simple articles of association which hold the members together upon their honor, mutual interest, and consent. Nobody is born into a cooperative society. People join as mature adults, of their own free will.

The law of the State is not an article of agreement or of mutual association; it is an edict handed down from past rulers in the interest of a dominant class in society; it is backed by physical force and has control over the life of the citizen.

There is no patriotism, sedition, nor treason in the cooperative society. It does not compel its members to declare their love and loyalty. It survives only upon its merits. If it has the love and loyalty of its members it is by deserving them. The cooperative society does not keep its citizens by force; it keeps them by performing service and by being worthy of their support and membership.

The political government, on the other hand, is ruled by outside economic rulers; the cooperative society is its own economic ruler. The State, in short, is a complicated mechanism which is interposed between the people and their economic life; it is a middle man between the consumers and the producers. It meddles and complicates the affairs of both.

In the cooperative society the People perform for themselves the functions which the State would perform. They do it directly in the selfsame organization. The cooperative society stands for direct action. It makes the State unnecessary.

A question that always presents itself is this: If all the people were embraced in the Cooperative Society, would that not constitute a State, with all of the weaknesses and deficiencies of the State? Fortunately cooperation never will embrace all; many will stay outside.

We have already seen how cooperation differs from the political State. It is a form of organization in the economic field, founded upon the principles of democracy. The political State was founded upon principles of privilege and autocracy; and although a thousand years of revolutions and "political reforms" have attempted to introduce democracy, democracy still eludes the State. As a matter of fact, if a political State should ever become democratic, it would cease to be a State.

A cooperative organization of society can be called anything but a State. It would have no jails nor hangmen, no coercive power. These would exist outside of it; the non-cooperative society would consist only of the highly individualistic souls and those who refuse to join the society or who have been ejected from it. Cooperation does not expect the world to be all heaven, as the ideal State would be; it has to have a hell for the non-members. It does not attempt the impossible task of compelling all to join it, nor the pious fraud of calling a non-cooperative mass of citizens and autocrats democratic. It selects and elects its members, and takes those who enter consciously, willingly, and congenially into a movement which honestly purports to be democratic, and which is at least, not opposed to democracy even though an indifferent membership often lets democracy slip out of its hands.

#### COOPERATION IN POLITICS

In some countries the cooperative movement has been.

connected closely with politics and with the political State. In Italy, cooperation came under the influence of the Socialist Party. At the end of the war the Socialists became very strong in Italian Politics. The government made large loans to the societies and favored them in many ways. The societies became the pets of the government, and politicians became cooperators and cooperators became politicians. There was a great growth of cooperation. Then the Fascisti came into power. The loans made by the former socialistic government were called in. Government support was withdrawn. The societies failed in large numbers. The Fascist government destroyed most of what was left. Buildings were burned; cooperative leaders were assaulted and killed; the National Cooperative League in 1925 was declared illegal and disbanded; its property was confiscated. Today there remains practically nothing of the former Italian cooperative movement. This is the price cooperators paid for taking their movement into politics. The Fascisti now control the societies that have been organized out of the wreckage.

In Belgium, the larger part of the cooperative movement is not only under Socialist Party influence but trade union influence also. The larger Belgian union requires that members of cooperative societies shall be both socialists and trade unionists. As a result, a neutral movement, also called "Christian" or "Catholic," has grown up to compete with the class movement. The political party and labor cooperative movement has reached the saturation point. Meanwhile, among people who are neither socialists nor trade unionists, "neutral" cooperative societies are developing. This is happening in most countries where the cooperative movement has a political or class complexion.



In Austria, the larger cooperative movement is under the influence of socialist politics and the trade unions. As a result, in Austria as elsewhere, there is another group of societies, composed of members who are not socialists or trade unionists, which are federated into their own national union.

The British Cooperative Party takes the cooperative movement into Politics. This Party was organized at the close of the war, and although it has not developed great strength, it is already causing disagreements in the British movement.

A Cooperative Church has not yet been started.

The Congress of the British Cooperative Union, in 1927, Passed a resolution for closer cooperation with the Labour Party. This Political Party is in favor of government ownership of socially necessary businesses. These British cooperators seem to be moving toward state socialism.

The educational use of the Cooperative Party is not to be overlooked. In election campaigns, it is able to reach the public with the facts of cooperation. This proves highly advantageous from the propaganda standpoint.

Over against the participation in affairs outside of the cooperative movement is the general feeling among the leaders of the movement in most countries, that, cooperation should be neutral in all matters excepting cooperation.

It is well understood that if cooperation is to furnish a ground upon which all people can unite, it must attend strictly to its own business, and take no side in other matters upon which people are divided.

Experience shows that if cooperation is to make headway it is as a movement of the consumers. Outside of the cooperative movement it gives every consumer the right to have any affiliations that he wishes.

### DEMOCRACY

The cooperative movement aims at democracy. Is democracy possible? Is it worth trying for? There is an ancient superstition that the poor, the lowly, the exploited masses, the people who have not been able to lift themselves into the position that they would like to occupy, are possessed of some peculiar merit which the rest of society fails to have. Cooperation is not concerned with the fatuous notion that the meek shall inherit the earth; but it is concerned that the poor shall not be discriminated against in favor of the rich. It does not stand for the fanciful theory that demands a dictatorship of the proletariat; but it does aim to eliminate the dictatorship of any class, and give every man an equal chance without favors. By giving each person one vote, by eliminating the profit motive, and by making the political state unnecessary, it takes the longest possible step toward the realization of actual democracy that is conceivable.

One foolish thing cooperative societies do not aspire to: that is, the meddlesome administration of affairs by the masses. It has always been a policy of cooperation for the democratic mass to elect a board of directors and hold it responsible for the business. The directors are charged with the duty of finding experts to administer the business in the interest of the democratic membership. And here is the key to practical democracy: cooperation needs, seeks and uses the experts. And who

is the expert? He is an aristocrat—a person who is superior to the others in knowledge and efficiency, in his ability to do well some particular job, some piece of social business. The store manager, the accountant, the bank director, the auditor, the chemist, the physician, the mill superintendent—these are the superior and trained persons whom the democratic society calls upon to serve its members.

So far as possible, it gets them from its own ranks. A new tendency is seen: cooperative societies are carrying on more and more education, and are striving to develop among their own members, the experts necessary for their various functions. Of course, democracy fails so long as one class of people are officers and experts and another class are without special function. But this difficulty may be overcome.

Everybody, of any form of efficiency whatever, may be given a special job of some kind. And that is what is going on. One cooperative society has many committees for many special activities and every new member decides to which of these groups his talents are best fitted. Another society enlarges its membership committee to include all members not otherwise occupied; each member is held responsible for the non-members in his block or in his house; he is regarded as guilty of their non-membership; and he is required to report the reason why he has not been able to induce them to join the society. Some societies have committees on health, recreation, dramatics, fire prevention, cinema, orchestra, choir, floraculture, etc., until every member is accounted for as a specialist in some field.

A cooperative society in Minneapolis has an expert choir master who has trained a men's chorus of forty voices



which gives concerts of exceptional quality. These men are milk-wagon drivers; now they have become expert in an entirely different field—to their own great satisfaction and to the good of the society. This is a movement toward the higher democracy.

The real business of democracy is to give everybody an equal chance to become an expert of some kind, and to help bring out his talents. The true expert is an aristocrat. The ultimate function of democracy, that is any good at all, is to promote aristocracy. An aristocracy of merit in a democratic society is the high goal of cooperation.

#### A NON-GOVERNMENTAL SUBSTITUTE FOR THE STATE

There are many communities in England, Scotland, Switzerland, Germany, and the Balkan States, where most of the economic, communal, and social functions are performed by the cooperative society, as I have already pointed out. Here the cooperative society is being substituted not only for profit business but also for the political state.

This is a slow process. Cooperation is crowding out the State by the methods of evolution. When the people in their cooperative societies provide old age pensions and houses to take care of the poor; when they create their own parks, recreations, bands, and orchestras; when they maintain their own hospitals and schools; when they build roads, carry on postal service and provide themselves with electric power and light; when they drain swamps to eliminate malaria; when they own and conduct life saving stations on the ocean coast, with full-time life savers and up-to-date boat equipment; when they maintain fire

extinguishing companies with automobile engines and everything modern in equipment; when they put up blocks of houses in crowded cities to relieve congestion; when they maintain medical clinics for protecting their members' health; when they conduct courts for the trying of cases of disagreement or litigation among members, with higher courts for appeals; when they provide telephone service; when, in short, the people themselves, independent of government, do directly for themselves the useful things that governments are supposed to do, then governments are made just so much the less necessary.

All of the above public services, and many more, are actually being performed today by cooperative societies. And in the communities where cooperators are doing these things for themselves the political government, instead of expanding in the direction of socialization, may be thought of as contracting its functions. As cooperation grows the State fades.

Elsewhere I have described "the fading State" and have shown how a substitute for the political state is growing up.\* I have attempted also to describe the various departments in a cooperative society which may take the place of the various branches of the political government. The chief difference is this: While political society is concerned with the government of men, the Cooperative Society is concerned with the administration of things. If things are justly administered in the interest of service, perhaps, people would not require to be governed at all. Perhaps, it is the quest for profits and privilege that make government necessary. Government is needed for their protection.

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\* Cooperative Democracy, 1927, Macmillan Company.

There is also this difference between the State and the Cooperative Society: the State means centralized government; the Cooperative Society means federation. Centralization means that the smaller groups are dictated to and controlled by a central political machinery—the national government. Federation means that the smaller groups unite to form a central organization to serve them, to which they dictate, and which they control. The tendency of political government is toward centralization—this is as true of Moscow as Washington. On the other hand, the cooperative societies are organizations of neighbors, who aim to do for themselves locally everything that they can do. The Cooperative Society of Munich has its own flour mill; the society of Leeds has its shoe factory; the society of Woolwich, London, has its preserve works. All of these societies could get their flour, shoes, and preserves from their central national wholesale organizations which provide these things, but instead they follow the natural cooperative impulse of people to do directly as much for themselves as possible. Cooperation moves toward making each group of neighbors as self-sufficient as possible.

However, this all requires initiative and work on behalf of self-interest. Most people are willing to let others do things; and where this indifference exists, local control of their affairs slips out of their hands and into the hands of others who want the control. It may go to profit-business; or to the politicians who carry it away to the capital city, as a dog takes a bone to his kennel, where they can do with it as they choose. Even in the cooperative society it may slip into the hands of a manager or minority group who use it for their own glory or even for their own profit.



## PUBLIC UTILITIES

We have already seen some of the large-scale public services which cooperative societies perform. These are to be seen in every field. Distribution of the necessities of life is, perhaps, the most important public utility. The Cooperative Wholesale Society is the largest productive, importing, and distributive undertaking in Great Britain. Cooperative societies are found buying whole villages—the society of Desborough, England, purchased the neighboring village of Harrington, houses, church, grave yard, and all. The coal mines, owned and run by the united consumers' societies of England, are successful ventures. Because of them, the consumers get better coal at a lower price, and the miners get better treatment as workers, better homes, and a vacation thrown into the bargain.

The theory of the socialists, that the political State is best adapted to run public utility for the people, is not wholly borne out by the facts. The people can run these things for themselves without introducing the complications of politics into business at all.

The thousands of social clubs, golf clubs, and club houses, that are run by the members (more efficiently serve the member) than similar institutions run by political municipalities. The cities of Europe build apartment houses for rent to their citizens. In the same cities—such as Copenhagen, Berlin, Nurenburg, etc.—the cooperative societies have built similar houses for their members. We have already seen that the co-operators have a sense of proprietorship and personal interest, as expressed by a general air of neatness. Although the cooperative houses belong to the cooperative society, and the members only have leases and pay a monthly charge,

there is a feeling of proprietorship. The cooperators feel that they control their society, and through their society they own property.

The citizen, on the other hand, thinks of his political government as being something remote and apart from him. In State housing, the government is the landlord, and nobody loves his landlord.

It is said that there are some public services which must be performed by the State, for the present at least. This may be true of the army, the police, the jails, the regulation of prostitution, and the granting of titles of nobility. These are functions that are made necessary by the existence of governments. But services that are purely social, such as have been mentioned above, come within the range of the cooperative societies.

All social services have to be performed by people. What magic does the political State possess that might make its citizens more intelligent and more efficient than the members of the cooperative society? I confess that I do not know. Instead, I do often observe that the political State seems to possess a magic that makes people, as citizens, less intelligent and less efficient than people doing their various jobs, working for a living, or occupied in the private enterprises of ordinary business. And cooperation, if it is anything, is private business. It is not religion, it is not politics, it is not a movement of any class, it is the private business of people who put together their capital in order to get greater economy, saving, and satisfaction by so doing. In this way public utilities may be made the private business and the intimate personal concern of the people who need them.

## CHAPTER V

### METHODS OF REALIZATION

#### THE PROGRAM OF DEVELOPMENT

COOPERATION begins small and grows. There are many instances of big schemes to start big cooperative societies with big business, but none have succeeded. Success comes when people, with some mutual tie, first unite and then learn how to carry on together a small cooperative enterprise. As they succeed they add more to their number. As they master one kind of business they expand into some other field. Cooperation is the example of evolution in the business world.

Other methods of social reorganization aim to make some complete and rapid change in the structure of society. When a majority has voted for some scheme of total reorganization, it will be put into operation. The Utopia will be established at once. The property and industries will be taken over by the government, or the taxes will be removed from everything and placed on the land, or the workers will take possession of the industries, or some other great change will be made and, as a result, society will be made over.

These are not the cooperative method.

All of these various schemes of social betterment are promoted by different means. Some by talking and writing, some by voting, some by fighting, some by striking, some by sabotage, some by praying. In Finland, the socialists by voting finally got a majority in Parliament; they proceeded to put socialism into operation; the capitalists took socialists out and stood them in rows and



shot them; and then capitalism went on as before. In Russia an old, corrupt, and inefficient government decayed and fell; the communists came into power; a small minority party by the use of force and by the suppression of democracy and the ordinary civil liberties attempted to establish communism; and as a result, they got instead State capitalism with the government as the big capitalist. In Italy the socialists became the dominant party in politics and were moving Italy toward socialism; the anti-socialist Fascisti, headed by a former socialist, captured the government by force and proceeded to make capitalism stronger than ever. In the meantime, in the kingdoms of Norway, Sweden, and Denmark, the people have more liberties, there is more democracy, and the conditions of life and labor are better than in the countries which strove for the great and salutary changes to be accomplished quickly and through the agencies of politics and force.

A study of the historic facts shows that great permanent social changes are brought about by means similar to the end sought. Capitalism which has endured for a hundred years was not established by any quick scheme or revolution. It came slowly and naturally out of the perfection of machinery, out of the harnessing of science to industry, and from the development of efficiency in production and distribution. Feudalism, before it, grew naturally and slowly as a result of the facts that some men are superior in their ability to take command, keep command, give orders to others, and get their orders obeyed; and that the great mass of people, naturally indolent, need to be told what to do, and hold in highest respect the person who gets himself called the chief.

Cooperation is an example of the evolutionary and the slow process. By applying certain methods, in a small

way, a small cooperative society is built. By uniting many cooperative societies, and using the same natural methods, a great cooperative society is evolved. By expanding into more and more fields, the social structure is gradually changed into a cooperative structure. It will be seen that these permanent changes are not brought about by talking, nor by writing, nor by voting, nor by striking, nor by sabotage, nor by revolution. They are not brought about by using methods which are different from the end sought. The cooperative end is reached by beginning with the very same thing, by starting with cooperation, and attaining a bigger cooperation by means of nothing but cooperative practice and experience.

Like result comes from like causes. Desirable ends are reached by desirable means. It is doubtful if destructive means bring constructive results. The way things get done is by doing them. The way people learn how to conduct business cooperatively is by conducting business cooperatively. Wishing for a social change does not qualify people to administer a social change. Talking, writing, and agitating do not train people as executives in either governmental or industrial functions.

On the other hand, in building the greater cooperative society, people are training themselves as they go. They test it as they build. If the future cooperative society will give its members benefits, then the present beginnings should also show benefits. It is not a new and strange Utopia for which cooperators are working. They build, now and here, the sort of structure that their future is to have, trying it as they go.

### THE DECAY OF CAPITALISM

Civilization is represented by waves. Every civilization has its up-swing. It reaches the top of its curve, and

then it goes down. Another begins at the bottom and does the same. These periods take hundreds of years, but no civilization—naturally, except the last—has ever escaped the common fate. Persian, Babylonian, Assyrian, Egyptian, Greek, Roman—they have all gone the same way. Indeed, there seems to be a common history than runs through them all.

They begin with the simple and homely arts of husbandry. The people are busy getting a living from nature. Then a surplus of wealth is produced. This gets into the hands of a privileged few, who no longer have to work. Then part of this surplus wealth is used to promote beauty, art, and culture. The leisure class grows bigger. Opportunities to live by investments increase. Profits, rent, and interest support more and more people. The quest for these three benefits becomes greater and permeates society. Wars in the interest of increasing profits, by robbing the enemy, or by destroying competition, or by profiteering on a government and a people at war, increase the costs of living and demoralize the public conscience. The political State, charged with the duty of protecting property and the privileges of the rich, becomes complicated—and corrupt. Excess of investments rests as a burden upon the back of labor. The simple productive functions of husbandry and industry become onerous and unprofitable. Speculation, indolence, and privilege-seeking grow more prevalent. Privilege and corruption in government make it impossible for honest and capable men to hold office. The affluent classes go to Cairo, the Riviera, or Palm Beach for the languid diversions associated with wine, women, and profligacy. The decay among the ruling class, their own squabbles and intrigues, breed inefficiency. Some little thing, like the loss of an argosy, a military defeat, a strike, the failure of a bank, and the

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bubble of over-capitalization bursts. The ten-pins begin falling down. The wheels stop going round. Food does not reach the cities. Mobs grow. Chaos reigns. The barbarians come in, rob, burn, loot and rape. A waste is seen where once was beauty and order.

The property values have disappeared. The rich have become poor. The situation is ready. It is new ground for some strange people to take and to organize to suit themselves, or to leave in its chaos, sinking deeper into its decay.

Uprisings of the proletariat to overthrow an existing order of society never occur, except in the minds of idle dreamers who, stimulated by resentment and envy, interpret hopes as prophecies and the historic fall of ruling classes as the rise of suppressed classes. The so-called "revolutions" have not been revolutions. They have been the decay and collapse of the dominant autocracy, whereupon the proletarian mob, or some organized group or party, has stepped in and got command of the mess. "The workers," "the masses," "the proletariat," "the poor," have never overthrown anything. Revolutions are not made; they come. As to the political revolutions, they have meant nothing more than the change of one set of politicians for another. Following all revolutions, although a new organization of society is sought, the same old quest for power and privilege continues, while a few idealistic souls always go on dreaming dreams of justice, peace, and beauty.

It is just this instability of society that gives cooperation its chance. In the European countries it has grown and become strong because the dominant method of profit-making business has not become fully successful and established. A cooperative society can start a store

and succeed because the prevalent method of business does not do efficiently the thing the people want done. Profit business is either in a state of upbuilding or in a state of decay in most countries. Cooperation comes in and gets a foot-hold.

In the United States, where profit business has attained to a high degree of efficiency, cooperation makes but slow progress. But during and following the war, when profit business was on the point of overdoing itself and losing its balance, cooperation went forward.

It is possible that the cooperative method might stabilize society, and prevent the rise and fall of civilizations. Cooperation does make for democracy and equality of opportunity in its one-vote principle. By eliminating profit from business and introducing the service motive, it takes away the chief method by which surplus wealth is created in business. Money cannot be put into a cooperative society and expected to make money. Thus cooperation leaves no way for a person to make a living except by performing service. If the cooperative method of business should become the chief system, as the profit system now is, the leisure class, living by the labor of others, would pass out of the picture.

Undoubtedly, under any economic system, there would be the urge to seek privilege. This is natural. It is going on now in cooperative societies, where managers are found dictating who shall be the directors, and getting willing directors to raise the manager's salary; and where directors are appointing the members of their families and their obligated friends to lucrative positions in the pay of the society. This sort of thing goes on, too, and to an even greater degree, in political jobs and in profit business. But there is in the cooperative movement a real sense of loyalty

and fairness. It is really a system of business which purposely and with a fundamental plan aims to shut out privilege. For this reason it may be more enduring than the methods which are actually built upon privilege, and which encourage and foster the very conditions which ultimately are there undoing.

### THE ACCOMPLISHMENTS OF COOPERATION

Cooperation is very old. It is a natural practice among many kinds of animals. Primitive man cooperated for protection from his enemies and in the search of food. Modern society is full of cooperation. But the quest of private gain and individual privilege comes in and defeats it. Were it not for this, one can easily imagine, life would be more peaceful and cooperation would be more prevalent.

Cooperation now is most used among those who have not succeeded very well in getting privilege and private gain, or who have not tried. The modern cooperative movement grew out of the need to make the workers' wages go as far as possible. Working people saw that in spending their wages they were paying other people to do things for them. They were paying not only the retail merchant to get goods for them, but they also employed the banker to take care of their savings, the landlord to house them, and on every side were people taking their hard earned wages and selling them commodities and service for more than they cost.

The question naturally arose: could they not do their own work? The first answer was the retail store. A few consumers organized to run their own store. During the latter part of the eighteenth and the early part of the nineteenth centuries, in Great Britain, many experiments were made. Some groups organized companies; some,



corporations; some societies. Some sold at cost and had no surplus. Some made profits and divided them among the members as dividends on stock. Some let members have votes in proportion to the number of shares they owned. There was no permanent success until the Rochdale Pioneers of England put together the three "Rochdale principles." From that time on, cooperative societies have succeeded. It seems that the combination of these three principles is necessary for success.

In Great Britain, the twenty-eight members of the Equitable Pioneers Cooperative Society, of Rochdale, each put in £1 of capital. With their £28, they opened a store on Toad Lane, the 21st of December, 1844. They started something more than a store, because they had dreams of reorganizing the whole business system of the world. They were very poor. It took them over a year to save that much money. But during that time they were making big plans and developing great hopes.

Their little store succeeded. They saved themselves the profit of the private merchant. That was not all. They learned how to work together in carrying on a business in their mutual interest. As a result their wages went farther, they had more and better things, they got full weight and measure, they were freed from the disadvantages of adulteration, they became better acquainted, and developed a better neighborly spirit. Besides these advantages, they had the joy of dreaming of still greater success.

By the end of 1845, they had eighty members and £180 paid up capital. In 1847, when times were very hard, the membership increased more rapidly. More distress the following year still more increased the membership. They always used two-and-a-half percent of

their surplus saving for education—to spread the understanding of cooperation. In 1894, when they celebrated their “golden jubilee,” the membership was 12,000, their paid in capital was £400,000, the yearly business was £300,000, and the surplus-savings (“profits”) on that year were £60,000. Thus the cooperative movement began.

The dream of the pioneers came true. Other groups throughout Great Britain learned of their success, and established similar societies. In 1863 there were so many that they federated to form the Cooperative Wholesale Society. When it celebrated its “golden jubilee” in 1913 it had become the largest productive and distributive business of foods, clothing, and household necessities in Great Britain. Then these people were saving themselves also the wholesalers’ profits and learning how to carry on big business.

In the course of time the Wholesale was boycotted by the manufacturers of biscuits. As a result, it started its own biscuit factory. From that beginning, it has continued to go into manufacturing until today the English Wholesale has some of the largest manufacturing plants in the British Empire. ( See page 34 ).

At about the same time the British Cooperative Union was organized for education, protection, standardization, and guidance.

Great Britain now has 1,300 societies with 5,000,000 members. That means about one-third of the families of Great Britain. These societies distribute yearly to their members nearly a billion dollars worth of goods. The surplus-savings amount to around \$75,000,000 a year. They have about a half-billion dollars of capital. They employ over 200,000 people, whose wages amount to \$ 150,000,000 a year.

The shops, bakeries, mills, factories and farms of these societies are to be seen in all parts of the British Isles. Every English city is characterized by the presence of the "co-op" stores, which in many places are the largest and best shops in the town.

Although the cooperative movement is large in Britain, in some of the countries on the continent it has become even larger. In Denmark, German Switzerland, Germany, Czecho-Slovakia, and Finland, the movement embraces even a larger proportion of the population than in Great Britain.

In Germany the cooperative societies have about 5,000,000 members. There are central unions and wholesale societies with many manufacturing plants. Germany has 2,400 distributive societies, over 20,000 cooperative banking societies, and more than 4,000 housing societies. In many towns and cities at least half of the population is supplied by the cooperative society. The Consumers' Building and Savings Society "Produktion," in Hamburg, is one of the large societies. It began in 1899 with 700 members. At the beginning of the war it had 80,000. It now has over 130,000 members. It has 275 stores, many factories, blocks of houses, banks, its own boats and farms.

Austria has an equally large movement. The Vienna Cooperative Society has 167,000 members, 150 stores, which supply more than half of the families of the city.

The Swiss societies are very substantial. With their bakeries, flour mills, farms, and provisions for most of the needs of their members, they play a large part in the social as well as industrial life of the people. The Swiss government has not shown hostility. The President of the Republic is a member. The Swiss Union



embraces 669 consumers' societies, 404 water-supply societies, 400 societies for supplying gas and electricity, and 347 cooperative banking societies, with a combined membership of over 350,000.

Czecho-Slovakia has many classes of societies because of its many nationalities. These are moving toward national union. A distributive and banking society in Moravia has over 200 stores, and in many towns only its stores are to be found, profit business having disappeared.

Hungary has increased the membership of its societies 500 per cent since 1914. The largest society is the "Hangya," a union of over 1900 societies, with 870,000 members.

Denmark leads the world in the percentage of cooperators in its population. The movement begins with farmers' marketing and supply societies; then come the consumers' distributive organizations. The Danish cooperative union embraces 1804 societies with 340,000 members.

Iceland made its first experiment in a union of consumers to purchase their supplies together in 1830. The first genuine cooperative consumers' society was organized in 1906. The membership of the consumers' societies affiliated with the Wholesale is 7,500. This means that 35 to 40 per cent of the people of Iceland (population 100,000) are supplied by this organization. Most of the membership is among the agriculturists. Many men connected with the government have been active in the promotion of cooperation. As Iceland has produced a population showing the greatest capacity for intellectual achievement of any country in the world, it is natural that its government is enlightened and not

given overmuch to governing the people. They are left to work out their own social and economic problems, and to this end they are making a large use of the cooperative method.

Finland has two federations of cooperative societies, one dominated by societies composed mostly of farmers, the other of industrial workers. These two unions have over 600 societies with 2,800 stores. Next to Denmark, Finland is, perhaps, the most highly organized cooperatively of any country.

Norway has a strong cooperative movement. Its members are substantial and it goes forward with certainty and precision. The societies of Oslo and Bergen are old and successful. Insurance is carried on with efficiency.

Sweden has patterned its cooperative movement after Germany. It is a well defined, clear-headed movement. Like that of Norway, it moves slowly but with precision and certainty. The Swedish Wholesale is making noteworthy progress.

Holland has over 400 societies with about 250,000 members.

Poland has fully 5,000 consumers' societies and even a larger number of banking societies. Banking among the farmers is largely carried on by the cooperative banks. The poverty of the masses and the unsettled state of its politics have caused the people to turn to cooperation. In many parts of the country profit business has practically disappeared and the economic affairs of the people are almost entirely carried on by the cooperative societies. The cooperative union has about 1,000 societies with over 600,000 members. It has 200

different productive enterprises, including factories, farms, and a large printing business.

Roumania has 5,000 cooperative credit banks with over 700,000 members. The federated consumers' societies have had a wholesale since 1921.

Jugo-Slavia has a General Cooperative Federation composed of about 5,000 societies with a total membership around 1,000,000. The society of Laibach has over 12,000 members.

Societies in Belgium usually begin with bread baking; then come the distributive stores. Much attention is given to propaganda in the interest of socialism and trade unionism, as well as of cooperation. Surplus-savings are used also for social purposes—pensions for old age, unemployment insurance, sick benefits, medical care, recreations, life insurance, and other collective benefits. The movement continued to grow during the war. There are 353 consumers' societies with 500,000 members in the Belgian Cooperative Union. The Insurance Society has over 200,000 policies. The oldest society is the "Vooruit" in Ghent. The Society of Liege has over 70,000 members.

France experimented at first with profit-sharing productive societies. True consumers' societies began about 1885. During and since the war, the growth has been greatest. Now there are over 4,000 distributive societies with 2,500,000 members. About half of the societies are members of the National Federation. The Cooperative Wholesale is composed of 1,600 societies, and employs 1,500 persons. The banking department is large. The Paris Society is the most important; it has 55,000 members and over 300 stores. The French movement has extended over into Algeria, Tunis, and Morocco.



Italy once had a large cooperative movement. The Cooperative League, before the Fascist regime, had over 4,000 consumers' societies, with over 500,000 members. The Fascists have destroyed most of these. What they have not destroyed have come under Fascist control. The Fascists have entered them and became the dominant influence, or they have been appointed, by the government, to the controlling positions.

Russia had a well-developed cooperative movement before the fall of the Czar. During the short Kerensky regime the movement grew enormously. When the Bolsheviks got control of the government, cooperation continued to grow but it has suffered much from being meddled with by the politicians. At first the Bolshevik government attempted to confiscate the cooperatives. The societies were all "taken over" by the government, in 1918 to 1920, with the view of destroying them and creating a socialist State. But the people were dissatisfied and the government bungled so badly in running the stores that, in 1921, the societies were given back their property and control. Since then the cooperatives have continued to grow but they are much under political domination. The communist government, not having been able to hold the cooperative stores as State institutions, now uses them to strengthen the government. They supply the people's wants, which the government could not supply, and which profit business naturally is not permitted to supply in a State aiming to be socialistic. The cooperative societies exist despite the Soviet Government. Aside from the millions of members in the Russian marketing organizations and cooperative credit societies, there are 27,000 consumers' societies with 10,000,000 members. The Communist Party has 1,000,000 members. If these proportions were reversed, and if there were 10,000,000 communists

and 1,000,000 cooperators, it is obvious, there would be no cooperative movement in Russia. There would be a socialized State with the government attempting to do the distributing.

The central national organization of Russian cooperation now is the all-Russian central union—*Centrosoyus*. This is the largest cooperative union in the world. It carries on a great variety of functions and has agencies in the important commercial countries.

In all of the Baltic Provinces as well as in Russia, the cooperative movement is making great progress because profit business and the governments have suffered demoralization and the people have turned naturally to the voluntary method of organization as a means of carrying on their business. They have central unions and wholesales.

Ukrainia, like the other new countries on the border of Russia, is developing a large cooperative movement. Its 6,000 consumers' societies have over 7,000 shops and more than 1,000,000 members. There are 3,000 cooperative banking and credit societies.

Esthonia is turning to cooperation and is using it to perform the economic functions of the people. The cooperative societies supply 85 percent of the needs of the farmers in this agricultural country.

Latvia numbers some 1,500 societies, carrying on many different services, such as distribution, housing, banking, education, insurance, cattle inspecting, bee culture, etc. These societies have around 100,000 members.

Lithuania has doubled the membership of its cooperative societies during the past decade. Its wholesale has entered the fields of manufacturing.

Bulgaria, like its neighbor states, has its cooperative movement well developed among the farmers. Its central wholesale has one of the largest flour mills in the country.

Greece shows a special interest in farmers' marketing and producers' profit-sharing societies. Consumers' cooperation is slowly growing out of these.

Georgia has a noteworthy cooperative movement, with many successful institutions, despite the damages that it has suffered from politics and the politicians.

Azerbaijan presents two distinct classes of cooperative societies ; those of the country and those of the towns. Each has its stores and wholesale with factories and other productive works.

Spain had very few cooperative societies until the last ten years. A national congress was held in 1921 and the societies federated. Since that there has been a steady growth.

Portugal presents about the same picture as Spain. A national union was organized in 1920. Now there is a wholesale and a slow but steady growth of societies.

Argentine Republic has a few scattered distributive banking and insurance societies. The largest consumers' organization is the "Workers' Household Society" of Buenos Aires with 6,000 members.

British Guiana, Chile, and other South America countries have the beginnings of a cooperative movement.

Mexico has complicated its cooperative societies with politics, with the result that cooperative success has fluctuated with the ups and downs of political disturbances.

Australia, New Zealand, and South Africa have well-developed cooperative organizations which were begun among the farmers. The consumers' societies grew out



of the experience with marketing organizations. Banking and insurance have followed. The cities are developing distributive societies, bakeries, etc. Each of these countries now has a national union and wholesale.

India shows promise of a great cooperative movement. The poverty of the people and their natural social character are conducive to its growth. It began with credit societies; then came societies for distribution and other services. There are 32,000 societies of all kinds, with over 1,235,000 members.

Japan, like India, has a growing movement which began with credit societies among the farmers. It has now spread to the towns, and consumers' distributive societies are developing. There is a National Union, a wholesale, and a central banking society.

China has had rural organizations of a cooperative character for many thousands of years. The modern movement seems to develop in the cities. The largest known society is at Shanghai, with a membership composed of students, professors, and citizens. Many smaller cities have societies which have been promoted by students. Chinese students in foreign countries are giving much attention to the study of cooperation.

Palestine has a cooperative movement introduced by the Jews. There are distributive, housing and banking societies.

Canada has a Cooperative Union composed of a few societies. One of these, at Sydney Mines, is among the most substantial societies on the Western Continent. It has 2,700 members and during the twenty years of its existence, it has paid back to its members in cash savings-returns over \$850,000 besides paying interest on capital.

The movement as a whole makes but slow progress and is beset with much the same difficulties that exist in the United States:

The United States had cooperative colonies a hundred and fifty years ago. The first cooperative store was in Boston in 1845. For seventy years societies came and went. They failed for many reasons.

Until 1916 there was no national central source of information. Societies started and attempted to do business with not a single member who knew what cooperation was. They were without standardized information. The people as a whole were not cooperative but rather preferred to be individualistic and competitive. The country was new, the people were pioneers, each seeking his fortune. The population was of mixed races which did not harmonize. People were not fixed in their abode but were always moving. Then profit business soon developed and became the absorbing as well as controlling interest of the people. The people become capitalistically minded; they aimed to be capitalists. Each hoped to make his way and get ahead of his neighbor. Great wealth developed. It was to be seen everywhere. Everybody hoped to get some of it. The gambling idea became prevalent, with the desire for big and quick returns. People were ashamed of poverty or even of the need to make small savings. Then profit business became highly competitive, with bargains, cut prices, credit, installment business, advertising, and all of the inducements to attract the consumer. Finally, not only the traditions and habits of the people called for profit business, but the schools taught its glory and laws discriminated in its favor. In many states it became legally impossible to carry on cooperative business. The idea of business that was not to make profits out of the

consumer was "un-American." Citizens became patriotic in order to make more money; and the consumers yielded great profits.

Under these circumstances it was difficult for cooperative societies to get started, and still more difficult to succeed. Societies among the city industrial workers were attempted, however. Hundreds of them grew up, lasted a few months or years, and disappeared. Sheer inefficiency as well as ignorance of cooperation contributed largely to the failures. Then the farmers got the idea of cooperative marketing from Denmark. Their first marketing societies were more successful than the first consumers' societies had been. The most successful consumers' societies, with stores, grew up among the farmers of Nebraska, Wisconsin, Minnesota, Iowa, and other western states, where the members had first hand experience in conducting marketing societies. The Farmers' Union and the Grange promoted the idea. There are now some consumers' societies among the farmers that are forty and fifty years old.

Then came immigrants who had had cooperative experience in Europe—Danes, Germans, Finns, English, Scotch, Norwegians, Swedes, and Slavs. They established both rural and town cooperative societies. Among these the Finns have played a conspicuous part. Most of their societies were composed of socialists. Their propaganda was carried on largely in terms of socialism rather than of cooperation. After the communists captured the government in Russia, communists appeared among the Finnish societies. As a result of their tactics Finnish societies were broken up and greatly weakened. The Finnish communists then attempted to introduce communist propaganda into the whole national movement, inflicting severe, but not permanent, damage.



• In 1916, The Cooperative League began its work. It has now become the recognized national union of consumers' societies of the United States. It makes examinations of cooperative societies, collects information, gives advice and help, publishes literature which reaches all classes, sends out news releases, gives lectures, conducts schools, a legal department, employment bureau, auditing and accounting department, and holds a national congress every two years. Of the 1,800 consumers' societies in the United States only about 300 are members of the League. But this number has grown from nothing ten years ago. With a few exceptions the stronger and better societies are League members. As a result of its work, cooperation is now widely understood throughout the country, fewer societies fail, and a sound foundation for cooperative growth has been built.

The Cooperative League is the only organization in the United States that is a member of the International Cooperative Alliance, and it is only through The League that societies in this country may become connected with the international movement.

In the United States there are several District Leagues or local federations of cooperative societies. Some of these have wholesales. Some conduct schools for the training of executives. The federation and mutual action of societies are the indications of progress. The Report of the United States Bureau of Labor Statistics, March, 1927, shows that the cooperative consumers' societies in this country have some 700,000 members and do a total business of \$ 300,000,000 a year.

The future of cooperation in the United States would seem to depend upon one of two possibilities. The continuation of education and propaganda may interest so

many people and develop enough understanding of the subject to cause its expansion. Or profit business may fail to satisfy the masses of people, it may collapse, it may take too much profit. In the event that education does not change the public mind, or if profit business continues to satisfy the people, then cooperation can be expected to play but a small part in the economic and social life of the United States.

## CHAPTER VI

### DEFICIENCIES AND DIFFICULTIES OF COOPERATION

#### INHERENT WEAKNESSES IN COOPERATION

WHERE most of the people of a community are organized into a large cooperative society, and where, through it, they perform most of their social and economic functions, many of the weaknesses that characterize the political state may develop. Indifference on the part of the majority of members often permits a minority to control the business, precisely as in the political government.

The imperfections which exist in all human beings do not disappear when they join a cooperative society. The aggressive, self-seeking, efficient, and egotistic individuals come to the fore and take control as in all affairs. Often the control of cooperative societies gravitates into the hands of a few officials. Sometimes these are the paid employees. In some cases this bureaucracy is used for the pecuniary advantage of the bureaucrats. Many societies are literally controlled by the manager, who conducts the affairs as though he held the voting proxies and power of attorney for all the members.

This occurs in small and weak societies as well as in large organizations. One of the common fates of cooperative societies in the United States is that the business is taken over by the manager. A store manager makes himself the autocrat. He runs the store in debt. Or he advises members to draw out their capital. Or he sees to it that it does not pay. Then he buys out the busi-



ness and continues it as his own. There is no end of the disasters that may befall cooperative societies. Their success is guaranteed only in countries where the members are educated to understand cooperation; where there exists a central union which audits the accounts regularly; where it is impossible for a manager to be dishonest without prompt discovery; where there is a cooperative wholesale to supply the goods; and where the central union can meet the needs of a weak society either with advice, trained employees, goods or capital. This condition now exists in twenty European countries where, it may be said, practically, that failures do not occur.

Indifference on the part of the members is one of the great difficulties. The majority of members in most cooperative societies take little or no interest in its affairs and usually leave the control to a small minority. In most countries, the societies are really run by small groups of the more interested members. Most of these controlling groups do what they think is best for the society. Some societies are actually controlled for all practical purposes by a single person—the manager or president of the directors.

When a society has 200,000 members, as is the case with the London Society, no hall will hold these people. They can not come together to transact their business. It is an unfortunate fact that the English societies are moving in just this direction—large size with both centralized management and control. A very small minority of the membership dominate. Bureaucracy is naturally desired by many officials; they promote it for their personal advantage.

There are personal and human qualities that make cooperation difficult. People are naturally selfish. Co-

operation not only has difficulties in competing with business based on selfishness but also in overcoming the natural selfishness of its own members. To educate the members, to teach them responsibility, to qualify them to control, and to provide duties which they can all perform is a great undertaking. Some societies are accomplishing this. It is the big task of cooperation.

Cooperative societies suffer another disadvantage in the fact that profit business can act more quickly. It is more responsive to its controlling force. When it is advantageous to buy or sell something quickly or to close a large transaction with promptness, the cooperative society is often found slow and cumbersome, while profit business, with its limited control and concentrated authority, can act with expedition. Cooperation attempts to meet this by placing administrative authority in a few hands, while it still keeps control among the members.

The ideal of cooperation is centralized administration and decentralized control. This is the scheme that reconciles efficiency with democracy. Some societies succeed in doing this.

The Cooperative Society of Berlin with 150,000 members, divides itself into small district groups. Around each store, or in each block, is a district subdivision of the society. These small groups have local autonomy. They are essentially small societies, which control the big society through delegate representation. Each district group has its local meetings. Here all of the members are neighbors who know one another. A meeting of all is possible. They carry on their business as though each group were an independent society. Each district elects three delegates to represent it in the control board.



This control board of the Berlin society is really more democratic than the district groups, for the reason that a delegate to be eligible must have patronized this society to the amount of at least five hundred marks a year. That means that, while the district meeting recognizes the one-vote-for-each-member principle, even though the member is not a patron of the society, the central body demands also that he have a real economic interest at stake as a patron-consumer. Thus the Berlin society is governed by a body which is not prone to become indifferent; it aims at economic democracy and self interest. This is the "German method" which is employed in all large German societies and is now being adopted in Sweden and other countries. It is a scheme for making the theory of democratic control practical, and promoting efficiency at the same time. It is for this reason, perhaps, that the German cooperative movement is becoming so strong and efficient.

One of the serious difficulties with which cooperation has to contend is the fact that it means work. The members of the cooperative have to put their hands to the task and make it succeed. They must bear the responsibility. Most people are not willing to enter into a business project if they see only a small saving. They prefer to pay the capitalist his five or ten percent profit, and let him do the work and take the risk. His profit is his pay, and he is worth it. That is one reason for the retarded growth of cooperation in the United States.

Moreover, the "intellectuals" who have an academic interest in cooperation prefer to patronize profit business, while they occupy themselves with talking and writing about other schemes of social betterment, which are not in operation, which are future Utopias, and



which call for nothing but talk. To go into cooperation means to be concerned practically for goods on the shelves, delivering the milk bottle at the kitchen door, weighing and wrapping commodities, making change at the cash register, keeping books, auditing, seeing that accounts balance, and actually carrying on business. These are all vulgar and material duties. Many well-meaning people prefer to think of these things as functions for a future Utopia, but they do not want to be bothered with them now; talking and voting are easier. Then, too, there is the danger of a cooperative business failing, and there is the reproach that goes with failure. It is more comfortable not to take such chances, but to be working instead for some noble scheme which can not fail—because it exists only in the mind or in far away Russogovinia. The stubborn facts of everyday life are not romantic but harsh. As to charity: it is nicer to give somebody else's money, or even one's own, to the poor, to make it easy for the poor to stay poor, than it is to attempt the cure of poverty.

The cooperative societies in the United States have to compete with chain stores. This is often difficult, and impossible unless the society has a good manager. Still there are societies which have no trouble with chain store competition; they keep their business by selling better goods at prices equally low.

There is no doubt that the chain stores sell inferior goods whenever possible. They resort to a hundred little tricks to give the consumer less value than he thinks he is getting for his money. These are the schemes that make profits. Cooperative societies can not use these tricks.

Perhaps the greatest drawback to even starting coope-



rative societies in the United States is the fact that the people are not socially minded. They prefer profit business to the service idea. They are in sympathy with gambling. The working man, if he has a little capital to invest, would prefer to invest in some stock that promises big returns—an oil well or a gold mine. The savings in cooperation are too small to be inviting.

Another commercial handicap, and yet to the credit of cooperation, is the fact that being a movement in the interest of service and of humanity, it cannot exact from labor the full degree of work that profit business demands. Cooperative societies are not found driving labor as does profit business. It voluntarily gives labor better wages, shorter hours, and better working conditions. And then labor, on its part, volunteers to take some more. There is not the strenuous drive in cooperative industry to get the most out of the workers; and the workers on their part "take things easier on the job." This is encouraged also by the fact that most of the members in most cooperative societies are workers and sympathetic to labor.

Of course, where people stop to think about these things, it is perfectly clear that workers employed by cooperative societies should give the same amount of service that is given by workers in the industries with which the cooperatives have to compete. Any difference between the two is philanthropy; it is charity bestowed on the workers at the expenses of the members.

At the last Congress of The Cooperative League of the United States, in 1926, a resolution was passed calling upon cooperative societies to sell union made goods and to employ union labor. This may all be good and proper. But it occurred to nobody to offer a resolution



calling upon trade unionists to organize cooperative societies or even to patronize cooperative stores.

In their relation with organized labor cooperative societies have always given more advantages than they get.

In England, the National Union of Distributive and Allied Workers is constantly making demands upon cooperative societies which are greater than those exacted from profit business. It is often demanded of cooperative societies that they shall pay a higher scale of wages in order that the workers in the competing profit industries may have an excuse to demand higher wages from their employers.

It is not difficult to find instances where employees as members of cooperative societies have voted and used their influence to increase their own wages. A society in England was wrecked by the employees in concerted action all attending a members' meeting, where the general membership was indifferent, and actually having a majority they increased their own wages so satisfactorily that the society went bankrupt. The goose stopped laying golden eggs. There are societies in the United States struggling on the brink of bankruptcy and still paying their employees wages higher than their competitors pay. The majority of the members of the board of directors of one of the largest societies in the United States are employees of the society. This is an anomalous situation, and, in the end, can lead only to disaster. Where labor presses cooperative societies for all that can be gotten out of them it is forcing them toward destruction, and, of course, is short sighted. In so doing it is really sabotaging labor.

The German Societies do not have this trouble. It



is distinctly understood that wages and the conditions of work in cooperative societies shall be governed by the same rules as exist in profit business. Where labor can get better conditions they must apply to all industries equally. The workers in cooperation shall not be supported by the poorer paid workers in profit industry. This is clear to the minds of the German workers. They all see that all the workers have common cause.

Often a conflict of opinion on these subjects occurs between the directors and the general membership of cooperative societies. In England, the Cooperative Women's Guild agitated for a minimum wage for women in the employment of the C. W. S. that was five shillings a week higher than the union scale of wages. The directors of the C. W. S. refused to pay the increase. But when the matter came before a meeting of delegate representatives of the societies, they voted, against the recommendations of the directors, for the increase of wages of the women employees. This, of course, overruled the directors. There are other instances in which the members have voted for increase of wages of employees against the recommendations of directors or management committees.

This is the sort of thing that does not occur in profit business. The stockholders of a profit corporation do not meet and vote to give the employees more wages than the directors or management approve. Such a thing is unthinkable. But cooperative societies are social as well as business organizations and the members often act with a social sense rather than with a business sense.

All of these peculiarities of cooperative societies cost money. There is no doubt but that a business that is run for the sole purpose of making profits, is not complicated



by these social question. It has just one purpose. Questions of justice, ethics, democracy, etc., all have to be secondary to making profits. One main question has to be considered: Will it increase or decrease profits?

The cooperative society has a multitude of questions to consider. The business is run for service. And service becomes a complicated matter if mixed up with the idea of philanthropy to the employees.

Profit business can concentrate upon making profits, but the cooperative society is a social organization with many functions; and above all it must be concerned for its right conduct. The cooperative society has to begin small and grow as it painfully learns its way. It suffers much from inefficiency.

Finally, cooperation represents the economically weaker and inexperienced elements of society.

Despite all of these difficulties, there are fewer failures in all countries, in proportion to the amount of business, among cooperative societies than in profit business. This is true of stores as well as of other businesses. Cooperative banks fail less often than capitalistic banks. Even in the United States, where cooperation is backward, this is true. In Europe where cooperative production has gone far, failure among the consumers' factories is so rare as to be practically unknown; but among capitalistic factories failure is common. In the United States, there are from 15,000 to 30,000 failures a year in profit business concerns with liabilities ranging from \$250,000,000 to \$500,000,000. Profit business is more efficient than political government in economic affairs, yet cooperation is more efficient than either.

The weaknesses of cooperation are the weaknesses

common to man. Man bungles in business and in politics and, I imagine, he will always bungle more or less in cooperation. If the cooperative method were the best way conceivable to supply human needs, if it were capable of bringing peace and justice to all men, I should expect that a very great many people would reject it, and many who accept it would bungle, corrupt, and abuse it. This book, fortunately, is not a discussion of mankind but of cooperation.

## OPPOSITION OF PROFIT BUSINESS AND OF THE STATE

In addition to the inherent weaknesses of cooperation as a method of business, cooperative societies suffer from outside attacks made upon them by profit business and by the political state.

Profit business is hostile to cooperation for the same reason that profit businesses in the same field compete and are hostile to one another. A cooperative society threatens the profits of other business, and the answer is hostility.

But profit business recognizes cooperation as something peculiar. It is different from the ordinary business. And, since "birds of a feather flock together," profit businesses unite to oppose cooperative societies which carry on business. Thus we see merchants' associations, chambers of commerce, boards of trade, and similar bodies, as well as unorganized storekeepers, taking action to oppose cooperation. In many European countries, the newspapers publish false stories about the cooperative societies. This is due to the influence of the merchants who advertise in the papers. The retail merchants of England have an organization and raise a large fund of money yearly for the purpose of fighting the cooperative societies.



Many a cooperative society in the United States has been destroyed by an agreement among the merchants to sell certain articles at cost or less, and thus get the patronage away from the cooperative store until it is destroyed. This method does not succeed in Europe, where the members are educated to know that, if the profit tradesman succeed in destroying the cooperative store, the prices in the town will go up higher than ever. In the United States the private merchants have paid bribe money to an influential member of the cooperative society to circulate the report that the society was about to fail and to advise members to draw out their capital. The scheme has destroyed several societies. In one place in Pennsylvania, the members were so worked up by such a scheme that they went to the store at night, broke open the doors, and carried away all of the goods.

Profit business organizations have rented every available store, to make it impossible for a cooperative to get a place to do business. Chambers of commerce induce the city authorities to pass laws against the cooperative societies. Supply houses are induced to boycott the cooperatives.

The cooperative telephone companies in the United States commonly have the switch board in a farmer's house and his wife is easily able to give it the necessary attention and perform her household work at the same time. The big telephone corporation wishes to buy out the cooperative telephone company; so it invokes the State law which requires that women shall work only eight hours; this necessitates hiring two more women to do the work that is not enough for one. There are many little schemes like this that help big business to gobble up or to destroy cooperatives.

In Europe, big business has often come to grips with the cooperative societies. But, curiously enough, cooperation has usually won. The soap trust in England, the flour trust in Sweden, the beef trust in Switzerland—all had their battles with the national cooperative unions. The English Wholesale won its soap victory, the Swedish Wholesale has possession of the two largest flour mills in Sweden, and the Swiss Cooperative Union owns the majority of the stock of the Swiss meat trust.

In the United States especially, and in many other countries, the laws are in favor of profit business and discriminate against business carried on for service. It is very difficult, and usually impossible, in the United States to get a law passed that is simply for the interest of all of the people as consumers.

Governments are found hostile to cooperation wherever profit business instructs the government to show hostility. Indeed, in Germany, half a century ago, the government opposed the cooperative banking movement and persecuted its leader because the cooperative credit societies were teaching the people how to make themselves independent of the State. Bismarck, the German statesman of that day, with the aid of the socialist leader, Lassalle, was building up a Paternalistic State, that should do everything for the people in order to make them willing subjects ready always to serve the State.

In Great Britain the government has never been really friendly. It is not in the nature of governments to be friendly to cooperation. During the late war, cooperative societies kept down prices and prevented, to a slight degree, the patriotic business man from enjoying the full advantage of the great war that was supposed to be in his interest. As a result the government persecuted the cooperative societies. The men necessary to run coopera-



tive businesses were drafted and sent to the front, police and soldiers burned down cooperative buildings and assaulted cooperative leaders, and in many other ways the British Government showed its loyalty to the principles of profit and privilege in business.

Persecution of cooperatives has been practiced notoriously by the governments of Hungary, Bulgaria, Ukraine, the Republic of Georgia, and many other countries where cooperators have been assaulted and cooperative property confiscated and destroyed by the agents of the government. Russia and Italy are not the only offenders. A recent incident in Bulgaria is illuminating. The largest Bulgarian cooperative society offered a prize for the best essay by a school-child on: "What is a Cooperative Society and What Benefits Does it Offer?" The Bulgarian Minister of Education immediately issued an order forbidding any pupil to take part in the competition.

The situation in Russia illustrates the curious relations that may arise between the cooperative societies and the government. The Russian cooperative societies have eleven million members. The Russian Communist Party has one million members. Yet the leading officials of the Central Union (*Centrosoyuz*) and the eight members which it sends to the Central Committee of the international Cooperative Alliance are communists. How is it that an organization, one-tenth the size of the cooperative societies, has one hundred per cent control in these high positions? The answer is bureaucracy. The cooperative societies are surrounded by the autocratic state which is controlled by a comparatively small number of communists, who use coercion and force to impose their will upon the majority of the people.

The cooperative societies, on the other hand, have no



machinery for using force to impose the will even of a majority upon a minority. Unlike the government, they aim to be controlled by principles of democracy. But the bureaucracy of the government penetrates into the cooperative societies. The Soviet government has taught the societies that the government will treat them with more consideration if they have communist officials in the high places. For example : the government owns the land and the buildings ; the cooperative societies need both ; the use of land and buildings is best gotten from the government by sending not cooperators but communists to make the deal. This is one of the many means by which the bureaucracy of politics penetrates cooperative societies from the political government which is external to them. It is a serious matter, for all societies in all countries are more or less influenced by the government. In Russia, this influence is particularly strong.

Where the political State is trying to move toward state socialism, cliques and groups of influential politicians always succeed in getting power in their own hands which they use for their own selfish ends. This sort of thing is contagious. It may infect the cooperative societies. It does infect them if they are close enough to the State. Cooperative societies are economic organizations, and for them to take on the attributes of the State is fraught with danger.

### WHY COOPERATIVE SOCIETIES FAIL.

Beside the above weaknesses in the cooperative method of business, and in addition to the hostility of governments and competing profit business, there are other practical reasons for the failure of cooperative societies.

The causes of failure may briefly be summarized in the light of experience:

#### ERRORS IN FINANCIAL POLICY.

(a) Starting with too little capital. Usually enough money must be raised to make possible a substantial business. (b) Allowing unrestricted withdrawal of capital. Members may make a run on the society and take away all of its necessary working capital. (c) Giving credit to members. All credit is found to be bad. Failure is certain if members are given credit beyond the amount of money they have invested in the society. The exception, of course, is the cooperative bank. (d) Buying on credit from private wholesalers. The store becomes tied up and can not buy freely on the market. (e) Bad book-keeping methods. Some societies do not know whether they are saving or losing money for the members. (f) Failure to have accounts audited by expert accountants at regular periods, or to have a control or auditing committee in the society, leaves the society in ignorance of its fiscal standing. (g) Declaring a savings return (dividend) to members too soon. All bills should be paid and a reserve put aside first. (h) Under-selling the private stores, selling at cost, and cutting prices. This deprives the society of adequate funds for the surplus savings; makes savings returns difficult or impossible, prevents social developments in the line of education, insurance, banking, and recreations; and tends to reduce to the level of a cheap store what should be a cooperative society. (i) Failure to develop cooperative banking. No country has created a sound movement without strong credit societies, or cooperative banks, to provide credit and to protect the savings of the members.



## OMISSIONS IN EDUCATIONAL AND SOCIAL WORK

(a) Beginning with a membership unfamiliar with co-operation. Provisions for instruction, lectures, and the distribution of literature should be made before a cooperative business is started. (b) Neglecting to maintain the educational work which should keep the members inspired with the values and aims of cooperation. (c) Ignoring the social side of cooperation. Club and reading rooms connected with the business are a great help. Music, drama, movies, social gatherings, and outings, organized by a special committee are useful. (d) The failure of store societies to organize a women's guild. Women are the buyers. Their knowledge of the needs of the stores and their social knowledge in holding and adding to the membership is utilized by successful societies. (e) Having employees who are indifferent to cooperation. Experience shows that salesmen should be well paid and should be well informed in the principles and aims of cooperation so that each one is interested in the success of the business and can intelligently discuss cooperation. (f) Failing to instruct and impress members with the importance of loyalty. A society succeeds best that has a membership of people who understand cooperation. (g) Allowing factions to grow in the society. A united membership, without rivalries or cliques, is important. This can be assured only by excluding from official action all subjects external to cooperation.

## DEFICIENCIES IN AND ABOUT THE PLACE OF BUSINESS

(a) Establishing a business in the wrong location. Too far from the homes of the members is unwise. High rents, competing business, lack of possibilities of expansion.



sion, and excessive real estate values have all to be considered. (b) Selecting the stock of goods unwisely. Putting in goods that do not meet the members' needs. Goods with slow turnover. A society in New Jersey bought enough shoe polish to polish all of the members' shoes for thirty years. (c) Investing too much of the initial capital in fixtures and furnishings. A society in Illinois, with \$3000 capital, invested \$2400 in cash register, scales, show cases, etc.; and had \$600 left with which to buy goods. (d) Neglecting the appearance of the store. Some cooperative stores are dirty and slovenly.

#### MISTAKES IN ORGANIZATION AND MANAGEMENT.

(a) Organizing from the top down instead of from the bottom up. Societies succeed better when organized by the people who are to patronize the business than when organized by an outside group or individuals. (b) Autocratic methods on the part of directors or manager, ignoring or antagonizing the general membership. (c) Centralizing too much power in the hands of directors or manager. Members should control matters of general policy. On the other hand, interference with daily details of management limits the efficiency of employees. (d) Employing incompetent managers is a most common cause of disaster. (e) Failure to serve. A cooperative society should make it an advantage to the members to belong. It should not expect sacrifices from them. A store should serve the members to a better advantage than they can be served elsewhere. (f) Indifference on the part of members. This keeps them away from meetings and sends them to patronize competing business.

## DANGERS FROM THE OUTSIDE

(a) Underselling by competing private stores. (b) Members believing the false reports that the society is about to fail, and that they should draw out their money before it is too late. (c) Creating distrust of members in their store by a disloyal manager. (d) Permitting large groups to join the society who come in for the purpose of breaking it up. Competing tradesmen have done this in England. Fascists have done it in Italy.

## LACK OF GROWTH AND VISION

(a) Being content to just keep going. Societies do best that are constantly planning expansion into other fields of cooperative activity. (b) Violation of the fundamentals of cooperation. Societies, omitting one or more of the Rochdale principles, are destined to fail or to become profit-making businesses outside of the cooperative movement. (c) Failure to federate. As soon as a few societies have been established they need to unite for their own protection and advancement. A national or district union and wholesale are essential for success. The cooperative societies in every country become much more secure when thus united.

All of the above causes of disease and death of cooperative societies have actually been discovered at the bedside of the dying and at post-mortem examinations upon the dead. They are the sad facts of experience.

## CHAPTER VII

### ADVANTAGES OF COOPERATION

#### A NATURAL METHOD

THERE are two different forces at work in society: competition and cooperation. Competition surely has its advantages. It challenges people to become excellent, and to excell. But the competitive struggle in the economic field—in getting a livelihood and in getting money and other good things—sets people fighting against one another. We have seen the bad results of competition in business, from the competition between individuals up to that between national groups, all leading to hostilities and war. The conflict between capital and labor—between employer and employee—can never be cured so long as labor can be bought and mixed with raw material and the product sold for a profit.

Over against this antagonism is cooperation. It sets people working together to get the same advantages that might be gotten by means of competition. There are those who say that fight, and struggle, and war, bring out the good qualities in mankind, that war and conflict have brought society to its high state of civilization.

Others say that the groups that have won have won because they stood together and helped one another. The vanquished groups were those that lacked cooperative solidarity.



I do not know which is right. But it would seem that if society is to advance, the advancement based upon mutual helpfulness has definite advantages over advancement based on hostility. As a matter of fact the disadvantages of fighting are becoming so obvious that people are trying to devise methods of stopping war.

In the economic world business tends to combine wherever it can for the purpose of substituting cooperation for competition. Cooperation is a natural law for the sake of preserving life in the world of living things. It is becoming a natural law in the business world for the sake of preserving property.

### CONSUMERS' CONTROL.

At present most of the business of the world is not in the hands of the consumers. The manufacturer, the importer, the merchant, decide what the consumers shall have. Cooperation is different. Cooperation means consumers' control. As a members' meeting of a cooperative society, one sees a woman get up and say that she wants a certain thing of a certain quality to be carried by her store, and that she has talked with many of her neighbors who express the same desire. Her statements are confirmed by other speakers. A resolution is offered and passed instructing the store manager to lay in a stock of that particular thing. The store manager orders the goods from the Cooperative Wholesale. It has happened that a cooperative wholesale receives demands from so many of its constituent societies for some specific article that it has to establish a factory to produce it. This has happened in the case of several articles with the English Wholesale. Its factory for bicycles and motorcycles grew out of the

demand of the members. The same with its more recent automobile factory. The same is the case with the fish packing works of the German Wholesale at Hamburg.

In the cooperative society the members control also the price of commodities. "Why do we pay a shilling sixpence for bacon when the store in the neighboring town sells at a shilling four?" They have the matter in their own hands. They can vote to make the price of bacon a shilling if they want to do so; but their store would lose money and they would have to pay for the loss. Experience shows that the consumers under these circumstances act with discretion. They do not meddle with the business to its harm. But they do protect themselves. Undoubtedly, in many instances, they make mistakes. But their situation is very different from that of the consumers in the town where there is no cooperative store. There the consumers are quite at the mercy of other forces in which they have no voice.

### PRICES AND QUALITY.

Cooperation keeps down prices and keeps up quality. This is proved by abundant statistics. The people in many a mining town in Illinois testify that when the cooperative store closed its doors the prices in the other stores went up. M. Bubnoff\* says that the appearance of a cooperative store in a Russian town meant a decline of prices from 5 to 40 per cent. In many a German town the people have protested to the authorities at the high price of bread; and the cooperative society has come to the city hall, with its books and its figures and its loaves of bread, and shown that bread can be produced for a lower price. In a Massachusetts town the cooperative

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\* The Cooperative Movement in Russia.



society was charging more for a can of peas than its competitor; but when it exhibited in its store window the contents of the two cans, displayed in glass fruit jars, and the simple figures that showed that the excess of water in the cheaper can made it the more expensive of the two, water could no longer be sold for peas in that town. All through the war, when profit business was reaping its harvest, cooperative societies in thousands of towns and cities were keeping down prices and showing the people that they could live without being exploited if they wished. When the Government Food Comptroller, in the United States, fixed the price of bread, and the profit-making bakers protested that the price was so low that they would be ruined, the Purity Cooperative Society in Paterson, New Jersey, actually protested to the government against their raising the price and begged that they should not be compelled to charge so much for bread. This went on in every country where there were cooperative societies during the war. The English Wholesale exposed the extortions of the margarine trust and protested at the high price it was compelled to charge, although it has one of the largest margarine factories in England. Everywhere cooperative societies during the war held down prices. As a result of this they were vigorously attacked by the respectable elements of profit business; they were everywhere declared to be "unpatriotic," "seditious," and "friends of the enemy." This is perfectly natural and to be expected. What is war for? What is business for? The questions arise: If cooperation is good for the people in time of war, why not also when peace breaks out? Why is it not good between wars?

We have seen that cooperation prevents adulteration, short weight, and the many little tricks of trade which are at the expense of the consumer. To get unadul-



terated goods was the reason for the establishment half a century ago of many a society in England and Scotland. Now governments hire inspectors and have laws with penalties against adulterated and poisoned goods. But where profits are concerned there are violations of the law. And the people are paying a high price for their governments to maintain profit.

We have seen that cooperative societies need no laws, penalties, inspectors, police and the various complex machinery of governments to protect their members from their own business. It is only when people have to depend upon the other fellow for the things they need, and when he is supplying them for the purpose of making profits, that these complexities of government are needed.

The Labor Bureau of the League of Nations, at Geneva, has recently published the result of an elaborate statistical research on the "Comparative Prices of Cooperative Distributive Societies and Profit Business" (1927). This study is based upon figures furnished by cooperative societies and also by boards of trade and governmental fact finding agencies. They show that, in towns where cooperative societies compete with profit business the prices of the cooperative societies are lower and the quality of the goods better; that where a cooperative society opens business in a town the prices in the competitive stores go down; and that the prices in the profit stores are in inverse ratio to the age, size, and efficiency of the cooperative business.

It should seem pretty clear that cooperation should be more economical than profit business when we realize that it needs none of the expensive machinery which profit business necessitates, because the nature of profit business is to make something out of the consumer, while the nature

of cooperation is to serve him. The nature of profit business is complex and indirect. The nature of service is simple and direct.

### WOMEN EQUAL WITH MEN

As profit business is organized, the people are subject to workers' and traders' influence. Even though, as the trade unions desire, that influence should become converted into workers' control, there would still be control for profits' sake. Among both organized workers and employees the majority voice in modern industry is the voice of the men. Women cannot have an equal right with men; they must remain a minority influence in industry. That is because a large proportion of women must always remain at home to bear and nurture children. Motherhood takes woman out of industry. The men can be in industry all the time; but not the women. It is different in the cooperative movement. It begins with the home where things are consumed and where men and women are nearest to being equal. Women have the same rights to membership in the cooperative society as men.

The body which gives the greatest moral and social guidance to the British movement is the Women's Guild. Women are found playing a large part in cooperation in most countries. They are a much greater influence than they are in the trade union movement, in profit business, or in politics.

## CHAPTER VIII.

### ALL KINDS AND MANNER OF MEN

#### COOPERATION NOT A CLASS MOVEMENT— NEUTRALITY

THERE was once the idea that cooperation was for one particular class of people. It was thought to be only for those who are exploited; it was only for the "workers" who were the foundation of the system of exploitation. But wherever attempts have been made to make this a class movement these attempts have been defeated sooner or later. It is impossible for any one class to claim a proprietorship in the cooperative method of organization. When some class attempts to create an exclusive movement, the excluded people start societies of their own.

In Belgium, we have seen, where socialists and trade-unionists tried to make it exclusively their movement, there grew up, as a result, another set of societies.

In France, for many years there were two strong and hostile groups of societies separated by the same differences as in Belgium. The futility of such separation was pointed out by Professor Charles Gide and in 1912 the two groups federated upon a mutual basis.

In Germany, the societies are organized into several groups based upon different interests and classes, but all of these now realize that no class can have a monopoly in cooperation and each is in favor of neutrality.

In Austria, the movement is split the same as in Belgium; and, as we have already seen, for the same reason.



Holland has various societies representing groups of labor-socialists, catholic christians, bourgeoisie, and farmers.

Czecho-Slovakia has unions of societies grouped largely with reference to nationality, also a union of socialist societies, and a union of catholic societies.

In Switzerland, the largest union takes in societies of all kinds, but there still remain outside of it a group of catholic societies and a group of farmers' societies.

Denmark can be said to be neutral in matters of religion and politics. There is one union for all consumers' societies.

Finland, we have seen, has two distinct groups. The union, composed largely of farmers, takes in also professional and business people of all classes.

Norway and Sweden are quite free from diversity of interests that demand separate societies. Their cooperative unions stand strongly for harmony and neutrality.

Italy has had societies of many different types, each springing up to supply some need or to meet the requirements of some group not supplied.

Russia had an independent cooperative movement until the communists attempted to introduce politics. The same can be said of Ukrainia, Esthonia, Lithuania, Georgia, Ajerbaijan, and Bulgaria.

Poland for many years had three distinct and unreconcilable national unions. In 1925, they declared for class, political, and religious neutrality, and all united to form a single strong Polish Union.

Great Britain has been spared the disadvantage of having class movements. Although the working people have naturally been the majority, they never excluded any

other class, and so throughout the British Empire the co-operative societies are neutral and accept into membership any worthy person irrespective of occupation, class, religion, or politics. The leaders of the movement in the beginning were from the intellectual class and the wealthy. Today, there are to be found in many British societies intellectuals, people of wealth, members of the nobility, professional people, and persons of all religions, occupations, and politics. This neutrality has given great strength to the British movement.

In the United States the societies are mostly independent of classes, with here and there an exception among some foreign groups, still under the influence of European conditions, who have wished to perpetuate some class cleavage or political doctrine.

In Belgium and France are societies composed exclusively of physicians for supplying their members with the materials of their craft. The Stockholm society, having taken in as members all of the eligible working people, is now placing stores in the sections of Stockholm inhabited by the wealthy and the aristocratic, and is adding them to its membership. The second largest cooperative society in New York is composed mostly of social workers, middle class secretaries, bankers, professional and business people.

To say that, "the cooperative movement is a movement of the toiling masses" is as illogical as to call it a movement of "the ardent Christians," "the forward-looking Fascists," or the "submerged proletariat." It is none of these.

Most of the members of cooperative societies belong to the working class because most people are workers and also because they are the people who most need the advantages that cooperation can give. But that does not

make it a working class movement any more than voting or going to church are working class movements. Most of the people in the world are workers; therefore most of the fools are workers, but this does not make foolishness a working class movement. People of all classes are found as members of cooperative societies; and the movement is coming more and more to be recognized as a movement for all people of all classes.

The German movement is taking the lead in this attitude. By their resolutions and by their actions, the societies in most countries declare for neutrality, and assert that: "The cooperative movement is neutral in religion, politics, and in matters of class distinctions." This is the wording of resolutions passed by the Directors of the Cooperative League of the United States. In Sweden the societies do not permit religious or political questions to be discussed, or even trade unionism excepting as it specifically touches cooperation. The leaders in Sweden are opposed to contributions to strikes being made by cooperative societies. There are often two sides to a strike, and the cooperative societies are best not involved in these external affairs.

This attitude toward trade unionism is something new, and is developing especially in the countries with the most progressive cooperative movements. The freedom of the individual members is allowed in religion, in politics, and in their personal trade or occupation organizations, but there is a growing tendency of cooperative societies to abstain from any official action whatever in these matters.

It is a noteworthy fact in the United States, that, while the American Federation of Labor and the Socialist Party have endorsed cooperation, so also have the two conservative parties—the Republican and the Democratic.



The Protestant churches and the Catholic church have endorsed it. It has been endorsed in this country also by many outstanding individuals representing a variety of interests. Among these are Presidents of the United States, a justice of the Supreme Court, governors of several states, influential bankers, merchants, manufacturers, and leaders of organized labor.

This picture of the many kinds and classes of cooperative societies in many countries may not look good for cooperative unity. But it is all a part of the experimenting, accidental circumstances, and groupings that characterize the growth of this movement. To make mistakes is human; to learn by experience is the beginning of success.

In all countries, the unity of purpose of the cooperative movement is understood and approved. In country after another the societies are uniting and correcting the errors that have kept them apart. One after another passes resolutions of neutrality. Cooperation itself does not separate people; it draws them together.

In the countries where cooperation is making the best progress the central national unions are neutral in all matters of class, politics, and religion. The national central cooperative unions of Germany, Norway, Sweden, Finland, Switzerland, and other countries take pains to adopt such resolutions of neutrality. Experience is teaching cooperative societies. There are certain things in which the members may be interested which are external to cooperation; but those things are the private affairs of the members as individuals. Some may belong to one political party, some to another; some may be of one class, some of another. But introducing the discussion of controversial questions into the cooperative movement leads to splits and discords.

## LEADING PERSONALITIES.

Experience shows that efficient individuals are essential to the success of any movement. The masses are not capable of originating, devising, and planning. They are capable only of approving, disapproving, following, or rejecting what some individual has planned or suggested. Behind the cooperative movement are people of understanding, executive capacity, and enthusiasm. In every country are the outstanding characters who have made cooperation possible. It is a fact that these people represent no one class. If they must be classified, it may be said that they belong to the aristocracy of intelligence, of vision, and of ability. They had the training and the command of their own time necessary for the task. The workers followed where these men guided and led.

In England, Dr. William King, a prosperous physician of Brighton, formulated the policies and put together the information of which the Rochdale Pioneers made use, and upon which they built their success. He was the father of cooperation. He was a man of a high degree of culture, and from 1822 to 1830 published a magazine, *The Cooperator*, in which he set forth the philosophy of cooperation and the methods necessary for success.

Robert Owen, a wealthy manufacturer of Lanark added enthusiasm for the movement; but he was interested in the workers' organizing to control production, and never understood the consumers' movement. Then came Charles Kingsley, a clergyman and writer; John Stuart Mill, an eminent economist; E. Vansittart Neale, a lawyer; Thomas Hughes, a lawyer and statesman; Edward O. Greening and George J. Holyoake, writers and teachers. The two latter were the propagandists of the movement; they were members of the Liberal Party.

The present leaders in Great Britain are men who have come mostly from the ranks of labor. The movement has trained its own leaders. Several of these men have been knighted by the King.

M. Godin, a wealthy manufacturer, did for France what Owen did for England. He created enthusiasm for profit-sharing and social service among the workers and called it "cooperation." In the end, like Owen, he turned over his plant to the workers who made good capitalistic business of it. The French movement owes most to Professor Charles Gide, the eminent professor of political economy in the University of Paris. He is connected with no political party nor class.

In Germany, the conservative, Professor Victor A. Huber, a highly educated scientist, was the pioneer who explained, advocated, and promoted cooperation. Holyoake called him "the father of cooperation in Germany," and said of him: "He stood aloof from all parties. This has been a peculiarity of other eminent cooperators." A judge, Herman-Schulze-Delitzsch, and a Prussian mayor, Federick W. H. Raiffeisen, formulated, standardized, and established, after long years of hard work, the system of cooperative banking which was the beginning of the German movement. Heinrich Kaufmann, a school teacher, has been the intellectual guide and organizing genius of the German movement for the past twenty-five years, during the period of its most substantial growth.

The Hungarian movement owes most to Count Alexander Karolyi, one of the wealthiest men of the old Hungarian nobility.

A clergyman, the Rev. Hans Christian Sonne, started the first Rochdale store in Denmark, 1866.



M. de Longuine, a Russian landlord, who studied Schulze-Delitzsch, established the first cooperative bank in Russia in 1865. Banking was later promoted by Prince Vasseltchikov. Cooperative stores were first started by local mayors, intellectuals, and the well-to-do. Later, manufacturers started stores for the employees. All of these became cooperative in due time. The first stores in Russia were started by Germans. But there were no outstanding individuals promoting the early store movement.

The first cooperative institution in Italy was a bank founded by Signor Leone Wollemborg, philanthropic physician. The organization of stores followed. The greatest promoter of cooperative banks, and the outstanding figure in the movement, was Signor Luigi Luzzatti. He was an eminent political economist and Minister of the Treasury of Italy for many years. He was esteemed in all countries for his high services. He died in 1927—a Fascist.

The other outstanding leaders in Italy were socialists of the working class who committed a large part of the cooperative movement to socialism. Foremost among these is Signor Antonio Verganni

In Belgium, the first cooperative institution was a bank founded by a catholic priest L'Abbe' Melilaerts. The bakeries and distributive societies came later and were most encouraged by Caesar De Paepe, Edmond Van Beveren, and Edward Anseele, socialist intellectuals. Anseele and socialists of the working class are the present leaders of the socialist-labor societies. Catholic priests are the leaders of many of the other societies.

In Poland, where cooperative banking is making remarkable progress, the most common type of leader is

the parish catholic priest, who is often the only man available with the necessary education to understand organization, accounting, and the intelligent keeping of books. The President of Poland elected in 1922, was Wojoischowski, who had been before his election professor of cooperation, author of many books, and the outstanding leader of the movement.

Professor Hannes Gebhard gave the inspiration and guidance necessary to the starting of consumers' cooperation in Finland. The most prominent figure in the Finnish cooperative movement in recent years has been Vaino Tanner, a social-democrat, now President of the Republic of Finland and President of the International Cooperative Alliance.

In Sweden, Anders Orne, a social-democrat, has been and is the prominent figure. Born of a long line of farmer ancestry, he took his degree in philosophy at the University of Upsala, and went into journalism. He has been a member of Parliament and has held various positions under the government; at present he is Minister of Post and Telegraph. He believes the general strike is futile, and regards cooperation as a far more practical form of organization than the State. He is President of the Stockholm Society, a director of the Swedish Union, and member of the Executive Committee of the International Cooperative Alliance. His recent book *Cooperative Ideals and Problems* is a notable contribution to economic philosophy.

Norway had a lawyer, O. Dehli, of Christiania, to promote the movement and give it his counsel. He worked for many years and bore the burdens of organizing cooperative societies, framing rules, and seeing the Norwegian movement well started. The present outstanding leader

is A. Juell, Norwegian Minister of Public Welfare.

In Ireland, the movement owes most to Sir Horace Plunkett and Rev. T. A. Finlay, a Jesuit priest. George Russell, the Irish poet, artist, and economist, furnished the intellectual inspiration.

The cooperative banking movement in India, which has expanded so extensively and is doing so much to relieve the poverty of the working people, got its start from Sir David Hamilton and a number of British government officials.

Cooperative banking was started in America by Alphonse Desjardins, a catholic official in Quebec. He introduced the credit union in the United States.

Here we see a movement made up of all manner of men, people with all sorts of connections and every variety of circumstances of birth and station. It is more radical, perhaps, than the theories of organization which are commonly called "Radical." It is not waiting, like a vulture, for the death of any economic system, nor does it propose to fatten upon the funeral meats of any class. It is purely creative. It is constructive because it begins by doing a fundamental thing and moving on into the provinces both of profit-business and of the political State. There are other movements which would take the place of one or the other of these, but cooperation, carried to its conclusion, would take the place of both. It is conservative because it aims at the destruction of nothing that serves well. It quietly and without ostentation builds something which can succeed only if it is better and more satisfactory than the existing things.

This is the reason why cooperation has appealed to people of all classes, who wish well for humanity, and who are-willing to put their hands to a constructive task.



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